

**LANSING SCHOOL DISTRICT**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2008**

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Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lansing School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lansing School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008, on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvii and 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lansing School District's basic financial statements. The additional information on pages 29 to 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer, Costeniser & Ellis, P.C.*

October 15, 2008

# **Lansing School District**

## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2008**

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This section of the Lansing School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

#### **District-Wide Financial Statements**

The first two statements are district-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

#### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to financial statements for fiscal years prior to 2003-04. The primary difference is that the Account Groups (General Fixed Asset and General Long-term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with the requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

# Lansing School District

## Management Discussion and Analysis

### For the Fiscal Year Ended June 30, 2008

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#### Summary of Net Assets

The following schedule summarizes the net assets for fiscal years ended June 30, 2008 and 2007:

|   | <u>June 30, 2008</u>         | <u>June 30, 2007</u>         |
|---|------------------------------|------------------------------|
| <b>Assets:</b>                                  |                              |                              |
| Current assets                                  | <u>\$ 50,586,383</u>         | <u>\$ 51,388,486</u>         |
| Capital assets                                  | 175,833,348                  | 172,035,647                  |
| Less: Accumulated depreciation                  | <u>(77,958,247)</u>          | <u>(73,591,780)</u>          |
| Capital assets, net book value                  | 97,875,101                   | 98,443,867                   |
| Other noncurrent assets                         | <u>423,275</u>               | <u>457,794</u>               |
| Total assets                                    | <u><u>\$ 148,884,759</u></u> | <u><u>\$ 150,290,147</u></u> |
| <b>Liabilities:</b>                             |                              |                              |
| Current liabilities                             | \$ 31,634,005                | \$ 33,414,962                |
| Long-term liabilities                           | <u>73,660,568</u>            | <u>78,503,185</u>            |
| Total liabilities                               | <u>105,294,573</u>           | <u>111,918,147</u>           |
| <b>Net Assets:</b>                              |                              |                              |
| Invested in capital assets, net of related debt | 27,510,683                   | 26,004,267                   |
| Restricted for debt service                     | 1,363,555                    | 751,140                      |
| Unrestricted                                    | <u>14,715,948</u>            | <u>11,616,593</u>            |
| Total net assets                                | <u>43,590,186</u>            | <u>38,372,000</u>            |
| Total liabilities and net assets                | <u><u>\$ 148,884,759</u></u> | <u><u>\$ 150,290,147</u></u> |

# **Lansing School District**

## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2008**

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#### **Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$5,218,186. A few of the more significant factors affecting net assets during the year are discussed below:

1.      **Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$4,366,467 was recorded for depreciation expense.

2.      **Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$3,797,698 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets (\$7,518,808), assets disposed and reclassified of during the fiscal year (\$7,528,223), and the current year's depreciation (\$4,366,467) is a net decrease to capital assets in the amount of \$568,766 for the fiscal year ended June 30, 2008. The net decrease in capital assets is due mainly to depreciation offset by capital acquisition.



# Lansing School District

## Management Discussion and Analysis

### For the Fiscal Year Ended June 30, 2008

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#### Results of Operations

For the fiscal years ended June 30, 2008 and 2007, the results of operations, on a district-wide basis, were:

|                                     | Fiscal year ended 6/30/08 |            | Fiscal year ended 6/30/07 |            |
|-------------------------------------|---------------------------|------------|---------------------------|------------|
|                                     | Amount                    | % of Total | Amount                    | % of Total |
| <b>General Revenues:</b>            |                           |            |                           |            |
| Property taxes                      | \$ 30,922,950             | 16.4       | \$ 30,353,629             | 16.3       |
| Investment earnings                 | 1,098,698                 | 0.6        | 1,625,208                 | 0.9        |
| State sources                       | 96,253,958                | 51         | 99,703,018                | 53.4       |
| County special education allocation | 10,006,617                | 5.3        | 10,305,831                | 5.5        |
| Other                               | 2,795,867                 | 1.5        | 2,048,999                 | 1.1        |
| Total general revenues              | 141,078,090               | 74.8       | 144,036,685               | 77.2       |
| <b>Program Revenues:</b>            |                           |            |                           |            |
| Charges for services                | 3,305,558                 | 1.7        | 3,374,844                 | 1.8        |
| Operating grants                    | 44,307,745                | 23.5       | 39,196,739                | 21         |
| Total revenues                      | 188,691,393               | 100        | 186,608,268               | 100        |
| <b>Expenses:</b>                    |                           |            |                           |            |
| Instruction                         | 97,124,211                | 53         | 94,028,199                | 51.8       |
| Support services                    | 72,291,002                | 39.4       | 73,643,962                | 40.6       |
| Community services                  | 553,581                   | 0.3        | 434,461                   | 0.2        |
| Food services                       | 6,497,522                 | 3.5        | 5,974,268                 | 3.3        |
| Athletics                           | 2,217,337                 | 1.2        | 2,126,969                 | 1.2        |
| Interest on long-term debt          | 2,991,646                 | 1.6        | 3,539,398                 | 1.9        |
| Unallocated depreciation expense    | 1,797,908                 | 1          | 1,809,256                 | 1          |
| Total expenses                      | 183,473,207               | 100        | 181,556,513               | 100        |
| Increase (decrease) in net assets   | \$ 5,218,186              |            | \$ 5,051,755              |            |

# Lansing School District

## Management Discussion and Analysis

### For the Fiscal Year Ended June 30, 2008

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#### Analysis of Significant Revenue and Expenses

Significant revenues and expenditures are discussed in the segments below:

##### 1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead property, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time the property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$24,704,452 in non-homestead property taxes. This amount represented an increase of 3.4% from the prior year. The amount of the unpaid property taxes at June 30, 2008, less an estimate for uncollectible taxes, was \$514,737.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

| <u>Fiscal Year</u> | <u>Non-homestead<br/>Tax Levy</u> | <u>% Increase<br/>(Decrease)<br/>From Prior Year</u> |
|--------------------|-----------------------------------|--|
| 2007-2008          | \$ 24,704,452                     | 3.4%   |
| 2006-2007          | 23,899,051                        | 1.4%   |
| 2005-2006          | 23,577,830                        | 4.5%   |
| 2004-2005          | 22,557,846                        | 3.0%   |
| 2003-2004          | 21,891,205                        | 6.4%   |

##### 2. State Sources

The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior fiscal year's spring count. For the 2007-2008 fiscal year, the District received \$7,737 per student (FTE) inclusive of the \$163 per pupil received for class size reduction, which represented an increase of \$84 per pupil from the amount received for the 2006-2007 fiscal year.

# Lansing School District

## Management Discussion and Analysis

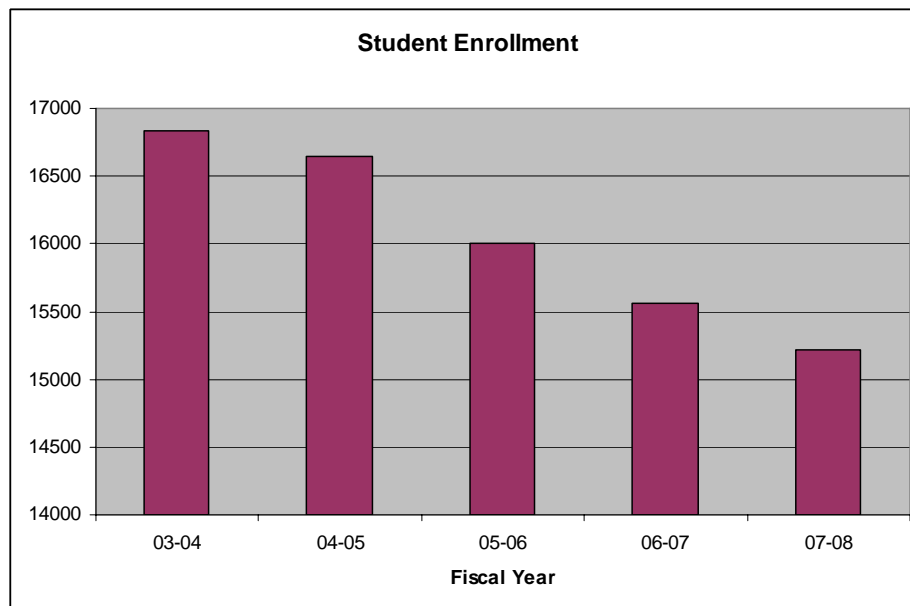
For the Fiscal Year Ended June 30, 2008

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### 3. Student Enrollment

Student enrollment has declined by 9.6% during the last 5 years.

| <u>Fiscal Year</u> | <u>Actual Blended<br/>Student FTE</u> |
|--------------------|---------------------------------------|
| 2007-2008          | 15,215                                |
| 2006-2007          | 15,561                                |
| 2005-2006          | 16,007                                |
| 2004-2005          | 16,644                                |
| 2003-2004          | 16,832                                |



### 4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2008, federal, state, and other grants accounted for \$44,307,745. This amount represents a 13% increase from the total grant sources of \$39,196,739 received for the 2006-2007 fiscal year.

# **Lansing School District**

## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2008**

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#### **5. County Special Education Allocation**

For the fiscal year ended June 30, 2008, the District received a net allocation from the Ingham Intermediate School District in the amount of \$11,403,921 to assist with the education of students with special needs. This amount represents a decrease of \$95,331.

#### **6. Interest Earnings**

The District received interest on its investment of short-term available cash in the amount of \$1,098,698 for the fiscal year ended June 30, 2008. Interest revenues are less than the prior fiscal year by \$526,510 due in part to a significant decline in interest rates as well as a decline in available funds from the proceeds of the 2003 bond issue. Despite a decline in interest rates, the interest revenue in the General fund increased by \$288,420 to \$545,432 up from the \$257,012 earned in the 2006-2007 fiscal year.

# Lansing School District

## Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

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### 7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

|                              | Fiscal year<br>2007 - 2008 | Fiscal year<br>2006 - 2007 | Increase<br>(decrease) |
|------------------------------|----------------------------|----------------------------|------------------------|
| Instruction                  | \$ 98,513,082              | \$ 96,241,130              | \$ 2,271,952           |
| Supporting services          | 71,030,628                 | 75,338,276                 | (4,307,648)            |
| Food service activities      | 6,450,878                  | 5,925,577                  | 525,301                |
| Athletic activities          | 1,714,712                  | 1,815,631                  | (100,919)              |
| Community service activities | 552,606                    | 433,364                    | 119,242                |
| Capital outlay               | 4,966,180                  | 24,568,642                 | (19,602,462)           |
| Debt service                 | 6,306,554                  | 6,798,399                  | (491,845)              |
| Total expenditures           | <u>\$189,534,640</u>       | <u>\$ 211,121,019</u>      | <u>\$ (21,586,379)</u> |

# Lansing School District

## Management Discussion and Analysis

### For the Fiscal Year Ended June 30, 2008

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#### 8. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget twice, with the Board adopting the final changes in June, 2008.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations.

|                                | Original<br>Budget | Final Budget   | Actual         | Variance with<br>Final Budget | %<br>Variance |
|--------------------------------|--------------------|----------------|----------------|-------------------------------|---------------|
| Total revenues                 | \$ 171,304,000     | \$ 187,009,000 | \$ 175,121,527 | \$ (11,887,473)               | (6.4)         |
| Expenditures:                  |                    |                |                |                               |               |
| Instruction                    | \$ 99,049,000      | \$ 104,869,000 | \$ 98,513,082  | \$ 6,355,918                  | 6.1           |
| Supporting Services            | 70,733,000         | 76,120,000     | 71,030,628     | 5,089,372                     | 6.7           |
| Community Services             | 455,000            | 689,000        | 552,606        | 136,394                       | 19.8          |
| Total expenditures             | \$ 170,237,000     | \$ 181,678,000 | \$ 170,096,316 | \$ 11,581,684                 | 6.4           |
| Other financing:               |                    |                |                |                               |               |
| Sources (uses) – transfers out | \$ (2,427,000)     | \$ (5,871,000) | \$ (3,328,584) | \$ (2,542,416)                | (43.3)        |

The original revenue budget of \$171.3 million was increased to \$187 million to recognize the effect of additional State categorical grant funding.

The District's budgeting process budgets for all grants at the awarded amounts. This budgeting process will always result in a variance between the grant amount awarded and the actual amount spent. Approximately \$13 million of the budget variance is accounted for by the variance in grants awarded verses grants expended. Additionally \$1.3 million in universal service fund revenue was received and included in the 2007-2008 financial statements.

# Lansing School District

## Management Discussion and Analysis

### For the Fiscal Year Ended June 30, 2008

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#### Capital Asset and Debt Administration

##### Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested approximately \$175.8 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of approximately \$3.8 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.36 million, bringing the accumulated depreciation to approximately \$77.9 million as of June 30, 2008.

|                          | Cost                  | Accumulated depreciation | 2008 Net Book Value  | 2007 Net Book Value  |
|--------------------------|-----------------------|--------------------------|----------------------|----------------------|
| Land                     | \$ 4,520,117          | \$                       | \$ 4,520,117         | \$ 4,520,117         |
| Construction in progress | 2,224,016             |                          | 2,224,016            | 5,945,123            |
| Land improvements        | 18,909,223            | 8,727,188                | 10,182,035           | 9,936,625            |
| Buildings and additions  | 131,330,141           | 56,407,507               | 74,922,634           | 73,320,201           |
| Buses                    | 4,646,066             | 3,912,076                | 733,990              | 1,111,719            |
| Transportation equipment | 1,376,674             | 1,275,568                | 101,106              | 195,177              |
| Machinery and equipment  | 12,827,111            | 7,635,908                | 5,191,203            | 3,414,905            |
|                          | <u>\$ 175,833,348</u> | <u>\$ 77,958,247</u>     | <u>\$ 97,875,101</u> | <u>\$ 98,443,867</u> |

##### Long-term Debt

At June 30, 2008, the District had approximately \$73 million in bonded debt outstanding. Total outstanding debt decreased as the District continued to pay down its debt, retiring \$3.3 million of outstanding bonds.

# **Lansing School District**

## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2008**

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#### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- The District received a student foundation allowance from the State of Michigan of \$7,737 per pupil for the 2007-2008 school year. (Effective for fiscal year 2007-2008 the State has included the reduced class size allocation in the student foundation allowance, giving the appearance that the student foundation allowance increased more than it really had. The inclusion of the reduced class size allocation accounts for \$163 of the increase in the foundation allowance.) Adjusted for the inclusion of the reduced class allocation, the District received \$7,574 from the student foundation allowance, an increase of \$84 from the \$7,490 received in the 2006-2007 fiscal year. Although the threat of pro-ration or reduction of this initial allocation and other categorical grants was under consideration throughout the fiscal year, the State was able to maintain the level of payment that was originally authorized at the beginning of the school year. However, the economic difficulties faced by Michigan are expected to continue through at least the next five years and funding for education is uncertain at this point. Accordingly, the District has adopted a budget for 2008-09 that is based on continuation of the student foundation allowance at the same level as 2007-08.
- Future funding levels for education are expected to reflect the long-range outlook for the state economy. A number of factors have been identified that will affect the overall financial health of the state as well as that of the residents of Michigan. Continuing population loss, decreasing birth rates, erosion of the automobile and other manufacturing bases and the resulting decline in tax revenue will have a direct effect on the District's ability to provide a quality education for the students of the Lansing School District. The Citizens Research Council is predicting a 14.3% decline over the next ten years in the population within the 5 to 17 year age range that makes up the student base across the state. This alarming downward trend and the resulting expected decrease in funding levels will make it difficult to continue existing educational programs and to plan and implement innovative programs to meet the needs of the students of the District.



# **Lansing School District**

## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2008**

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- A number of initiatives which were introduced by the District's Superintendent, Dr. T. C. Wallace Jr., and subsequently were approved by the board, that are designed to provide direction and focus for achievement in the District were implemented during the 2007-2008 fiscal year. Based on the theme of Accountability-Attitude-Achievement, eleven goals have been set that will establish the school system's educational priorities for 2008-09 and future years. In addition to goals that directly relate to the education of students, other goals call for the development of a comprehensive strategic plan to cover the period 2008-2012 and the establishment and maintenance of sound fiscal management and accountability systems that maximize financial resources through performance-based systems. The development of a comprehensive five-year financial plan will enable administrators to ensure that financial resources are used in the most efficient and effective manner.
- The District has adopted a modified zero based budgeting process for the 2008-2009 fiscal year in which the building budget allocations are based on a per pupil amount. The modified zero based budgeting process is a three year process, fiscal year 2008-2009 marks the first phase of the process. Through the modified zero based budgeting process, the budget is driven directly by student enrollment and student programming needs.
- The District has established a Community Advisory Task Force Committee for Right Sizing. The Task Force is comprised of parents, staff, community business leaders, political leaders and many others. This Task Force has been established to address issues such as declining enrollment, inadequate funding, rising costs and aging buildings. The primary goal of the task force is to identify how to make the best use of its buildings in the midst of declining enrollment and other financial pressures. A recommended course of action is expected to be presented by the Task Force by January 2009.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Chief Financial Officer's office, Lansing School District, 519 W. Kalamazoo Street, Lansing, Michigan, 48933.

## **BASIC FINANCIAL STATEMENTS**

**LANSING SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

|  | <b>ASSETS</b> | <b>Governmental<br/>activities</b> |
|--|---------------|------------------------------------|
| <b>CURRENT ASSETS:</b>                         |               |                                    |
| Cash and cash equivalents                      |               | \$ 16,842,793                      |
| Receivables:                                   |               |                                    |
| Accounts receivable                            |               | 1,683,968                          |
| Taxes receivable                               |               | 514,737                            |
| Interest receivable                            |               | 14,734                             |
| Due from other governmental units              |               | 25,076,105                         |
| Inventories                                    |               | 319,315                            |
| Prepaid expenditures                           |               | 387,907                            |
| Restricted cash - capital projects             |               | <u>5,746,824</u>                   |
| <b>TOTAL CURRENT ASSETS</b>                    |               | <u>50,586,383</u>                  |
| <b>NONCURRENT ASSETS:</b>                      |               |                                    |
| Capital assets                                 |               | 175,833,348                        |
| Less accumulated depreciation                  |               | <u>(77,958,247)</u>                |
| Capital assets net of accumulated depreciation |               | 97,875,101                         |
| Deferred charges, net of amortization          |               | <u>423,275</u>                     |
| <b>TOTAL NONCURRENT ASSETS</b>                 |               | <u>98,298,376</u>                  |
| <b>TOTAL ASSETS</b>                            |               | <u><u>\$ 148,884,759</u></u>       |

|  | <b>LIABILITIES AND NET ASSETS</b> | <b>Governmental<br/>activities</b> |
|--|-----------------------------------|------------------------------------|
| <b>CURRENT LIABILITIES:</b>                    |                                   |                                    |
| Accounts payable                               |                                   | \$ 2,482,772                       |
| Accrued salaries and related items             |                                   | 13,949,530                         |
| Accrued interest                               |                                   | 468,952                            |
| Accrued expenses                               |                                   | 200,000                            |
| Deferred revenue                               |                                   | 8,079,366                          |
| Current portion of long-term obligations       |                                   | 4,222,105                          |
| Current portion of compensated absences        |                                   | <u>2,231,280</u>                   |
| <b>TOTAL CURRENT LIABILITIES</b>               |                                   | <u>31,634,005</u>                  |
| <b>NONCURRENT LIABILITIES:</b>                 |                                   |                                    |
| Noncurrent portion of long-term obligations    |                                   | 70,510,725                         |
| Compensated absences                           |                                   | 2,464,207                          |
| Long-term interest                             |                                   | <u>685,636</u>                     |
| <b>TOTAL NONCURRENT LIABILITIES</b>            |                                   | <u>73,660,568</u>                  |
| <b>TOTAL LIABILITIES</b>                       |                                   | <u>105,294,573</u>                 |
| <b>NET ASSETS:</b>                             |                                   |                                    |
| Invested in capital assets net of related debt |                                   | 27,510,683                         |
| Restricted for debt service                    |                                   | 1,363,555                          |
| Unrestricted                                   |                                   | <u>14,715,948</u>                  |
| <b>TOTAL NET ASSETS</b>                        |                                   | <u>43,590,186</u>                  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>        |                                   | <u><u>\$ 148,884,759</u></u>       |

**LANSING SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

| Functions/programs                          | Expenses       | Program revenues     |                  | Governmental activities           |
|---|----------------|----------------------|------------------|-----------------------------------|
|   |                | Charges for services | Operating grants | Net (expense)                     |
|   |                |                      |                  | revenue and changes in net assets |
| Governmental activities:                    |                |                      |                  |                                   |
| Instruction                                 | \$ 97,124,211  | \$ 1,289,971         | \$28,882,947     | \$ (66,951,293)                   |
| Support services                            | 72,291,002     | 723,213              | 8,843,964        | (62,723,825)                      |
| Community services                          | 553,581        |                      | 1,253,496        | 699,915                           |
| Food services                               | 6,497,522      | 1,122,928            | 5,327,338        | (47,256)                          |
| Athletics                                   | 2,217,337      | 169,446              |                  | (2,047,891)                       |
| Interest on long-term debt                  | 2,991,646      |                      |                  | (2,991,646)                       |
| Unallocated depreciation                    | 1,797,908      |                      |                  | (1,797,908)                       |
| Total governmental activities               | \$ 183,473,207 | \$ 3,305,558         | \$44,307,745     | (135,859,904)                     |
| General revenues:                           |                |                      |                  |                                   |
| Property taxes, levied for general purposes |                |                      |                  | 24,685,262                        |
| Property taxes, levied for debt service     |                |                      |                  | 6,237,688                         |
| Investment earnings                         |                |                      |                  | 1,098,698                         |
| Gain on sale of assets                      |                |                      |                  | 111,755                           |
| State sources                               |                |                      |                  | 96,253,958                        |
| Ingham ISD special education allocation     |                |                      |                  | 10,006,617                        |
| Other                                       |                |                      |                  | 2,684,112                         |
| Total general revenues                      |                |                      |                  | 141,078,090                       |
| CHANGE IN NET ASSETS                        |                |                      |                  | 5,218,186                         |
| NET ASSETS, beginning of year               |                |                      |                  | 38,372,000                        |
| NET ASSETS, end of year                     |                |                      |                  | \$ 43,590,186                     |

LANSING SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

|                                    | General<br>fund      | 2003<br>bond<br>capital projects<br>fund | Other<br>nonmajor<br>governmental<br>funds | Total<br>governmental<br>funds |
|------------------------------------|----------------------|--|--|--------------------------------|
| ASSETS                             |                      |  |  |                                |
| ASSETS:                            |                      |  |  |                                |
| Cash and cash equivalents          | \$ 13,112,406        | \$ -                                     | \$ 3,730,387                               | \$ 16,842,793                  |
| Receivables:                       |                      |  |  |                                |
| Property taxes receivable          | 415,188              |  | 99,549                                     | 514,737                        |
| Accounts receivable                | 1,671,137            | 9,703                                    | 3,128                                      | 1,683,968                      |
| Interest receivable                | 14,734               |  |  | 14,734                         |
| Due from other governmental units  | 24,433,931           |  | 642,174                                    | 25,076,105                     |
| Due from other funds               | 1,471,565            |  | 1,542,042                                  | 3,013,607                      |
| Inventories                        | 163,665              |  | 155,650                                    | 319,315                        |
| Prepaid expenditures               | 387,907              |  |  | 387,907                        |
| Restricted cash - capital projects |                      | 5,746,824                                |  | 5,746,824                      |
|                                    |                      |  |  |                                |
| TOTAL ASSETS                       | <u>\$ 41,670,533</u> | <u>\$ 5,756,527</u>                      | <u>\$ 6,172,930</u>                        | <u>\$ 53,599,990</u>           |
| LIABILITIES AND FUND BALANCES      |                      |  |  |                                |
| LIABILITIES:                       |                      |  |  |                                |
| Accounts payable                   | \$ 2,153,628         | \$ 166,203                               | \$ 162,941                                 | \$ 2,482,772                   |
| Accrued salaries and related items | 13,901,886           |  | 47,644                                     | 13,949,530                     |
| Due to other funds                 |                      | 2,083,248                                | 930,359                                    | 3,013,607                      |
| Accrued expenses                   | 200,000              |  |  | 200,000                        |
| Deferred revenue                   | 8,556,256            |  | 97,463                                     | 8,653,719                      |
|                                    |                      |  |  |                                |
| TOTAL LIABILITIES                  | <u>24,811,770</u>    | <u>2,249,451</u>                         | <u>1,238,407</u>                           | <u>28,299,628</u>              |
| FUND BALANCES:                     |                      |  |  |                                |
| Reserved for inventories           | 163,665              |  |  | 163,665                        |

|   | General<br>fund      | 2003<br>bond<br>capital projects<br>fund | Other<br>nonmajor<br>governmental<br>funds | Total<br>governmental<br>funds |
|---|----------------------|--|--|--------------------------------|
| FUND BALANCES (Concluded):                    |                      |  |  |                                |
| Reserved for prepaid expenditures             | \$ 387,907           | \$ -                                     | \$ -                                       | \$ 387,907                     |
| Reserved for debt service                     |                      |  | 2,518,143                                  | 2,518,143                      |
| Designated for subsequent years' expenditures | 1,418,000            |  |  | 1,418,000                      |
| School carryover                              | 272,106              |  |  | 272,106                        |
| Unreserved, undesignated                      | 14,617,085           | 3,507,076                                | 2,416,380                                  | 20,540,541                     |
|   |                      |  |  |                                |
| TOTAL FUND BALANCES                           | <u>16,858,763</u>    | <u>3,507,076</u>                         | <u>4,934,523</u>                           | <u>25,300,362</u>              |
|   |                      |  |  |                                |
| TOTAL LIABILITIES AND FUND BALANCES           | <u>\$ 41,670,533</u> | <u>\$ 5,756,527</u>                      | <u>\$ 6,172,930</u>                        | <u>\$ 53,599,990</u>           |
| Total governmental fund balances              |                      |  |  | \$ 25,300,362                  |

Amounts reported for governmental activities in the statement of net assets are different because:

|   |  |  |                     |                      |
|---|--|--|---------------------|----------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: |  |  |                     |                      |
| Capital assets  |  |  | \$ 175,833,348      |                      |
| Accumulated depreciation  |  |  | <u>(77,958,247)</u> | 97,875,101           |
|   |  |  |                     |                      |
| The value of amortized bond issuance costs  |  |  | 565,379             |                      |
| Accumulated amortization  |  |  | <u>(142,104)</u>    | 423,275              |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds:        |  |  |                     |                      |
| Bonds payable   |  |  |                     | (73,074,550)         |
| Capital lease payable   |  |  |                     | (1,658,280)          |
| Compensated absences  |  |  |                     | (4,695,487)          |
| Accrued interest is not included as a liability in government funds, it is recorded when paid                 |  |  |                     | (1,154,588)          |
| Deferred due from other governmental units at June 30, 2008 expected to be collected after September 1, 2008  |  |  |                     | 345,054              |
| Deferred property taxes receivable at June 30, 2008 expected to be collected after September 1, 2008          |  |  |                     | <u>229,299</u>       |
| Net assets of governmental activities   |  |  |                     | <u>\$ 43,590,186</u> |

LANSING SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

|  | General fund  | 2003 Bond<br>capital projects<br>fund | Other<br>nonmajor<br>governmental<br>funds | Total<br>governmental<br>funds |
|--|---------------|---------------------------------------|--|--------------------------------|
| <b>REVENUES:</b>   |               |                                       |  |                                |
| Local sources:   |               |                                       |  |                                |
| Property taxes   | \$ 24,601,933 | \$                                    | \$ 6,212,632                               | \$ 30,814,565                  |
| Investment earnings  | 545,432       | 278,654                               | 274,612                                    | 1,098,698                      |
| Food sales and athletic admissions                           |               |                                       | 1,294,669                                  | 1,294,669                      |
| Other  | 3,335,876     |                                       | 10,836                                     | 3,346,712                      |
| Total local sources  | 28,483,241    | 278,654                               | 7,792,749                                  | 36,554,644                     |
| State sources  | 107,171,133   |                                       | 359,356                                    | 107,530,489                    |
| Federal sources  | 28,063,232    |                                       | 4,967,982                                  | 33,031,214                     |
| Incoming transfers   | 11,403,921    |                                       |  | 11,403,921                     |
| Total revenues   | 175,121,527   | 278,654                               | 13,120,087                                 | 188,520,268                    |
| <b>EXPENDITURES:</b>   |               |                                       |  |                                |
| Current:   |               |                                       |  |                                |
| Instruction  | 98,513,082    |                                       |  | 98,513,082                     |
| Supporting services  | 71,030,628    |                                       |  | 71,030,628                     |
| Food service activities                                      |               |                                       | 6,450,878                                  | 6,450,878                      |
| Athletic activities  |               |                                       | 1,714,712                                  | 1,714,712                      |
| Community service activities                                 | 552,606       |                                       |  | 552,606                        |
| Capital outlay   |               | 2,168,215                             | 2,797,965                                  | 4,966,180                      |
| <b>EXPENDITURES:</b>   |               |                                       |  |                                |
| Debt service:  |               |                                       |  |                                |
| Principal repayment  | \$            | \$                                    | \$ 3,330,000                               | \$ 3,330,000                   |
| Interest expense   |               |                                       | 2,974,490                                  | 2,974,490                      |
| Other expense  |               | 900                                   | 1,164                                      | 2,064                          |
| Total expenditures   | 170,096,316   | 2,169,115                             | 17,269,209                                 | 189,534,640                    |
| EXCESS (DEFICIENCY) OF REVENUES OVER<br>(UNDER) EXPENDITURES | 5,025,211     | (1,890,461)                           | (4,149,122)                                | (1,014,372)                    |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |               |                                       |  |                                |
| Operating transfers from other funds                         | 154,415       |                                       | 3,652,121                                  | 3,806,536                      |
| Operating transfers to other funds                           | (3,482,999)   |                                       | (323,537)                                  | (3,806,536)                    |
| Total other financing sources (uses)                         | (3,328,584)   |                                       | 3,328,584                                  |                                |
| <b>SPECIAL ITEM:</b>   |               |                                       |  |                                |
| Sale of school buildings                                     | 111,755       |                                       |  | 111,755                        |
| NET CHANGE IN FUND BALANCES                                  | 1,808,382     | (1,890,461)                           | (820,538)                                  | (902,617)                      |
| <b>FUND BALANCES:</b>  |               |                                       |  |                                |
| Beginning of year  | 15,050,381    | 5,397,537                             | 5,755,061                                  | 26,202,979                     |
| End of year  | \$ 16,858,763 | \$ 3,507,076                          | \$ 4,934,523                               | \$ 25,300,362                  |

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

**Net change in fund balances total governmental funds** \$ (902,617)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

|                      |             |
|----------------------|-------------|
| Depreciation expense | (4,366,467) |
| Capital outlay       | 3,797,698   |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is recorded in governmental funds when it is paid:

|  |             |
|--|-------------|
| Accrued interest payable beginning of the year | 1,137,432   |
| Accrued interest payable end of the year       | (1,154,588) |

Accrued severance pay and deferred salaries are recorded in the statement of activities when incurred, but are not recorded in the governmental funds until paid:

|   |           |
|---|-----------|
| Accrued severance pay beginning of year | 3,102,161 |
|---|-----------|

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:

|                      |           |
|----------------------|-----------|
| Payments on debt     | 3,710,111 |
| Amortization expense | (34,516)  |
| Amortized premium    | 192,887   |

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

|   |           |
|---|-----------|
| Deferred revenue, beginning of the year | (514,984) |
| Deferred revenue, end of the year       | 574,353   |

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

|  |                    |
|--|--------------------|
| Accrued compensated absences beginning of the year | 4,372,203          |
| Accrued compensated absences end of the year       | <u>(4,695,487)</u> |

|  |                                   |
|--|-----------------------------------|
| <b>Change in net assets of governmental activities</b> | <b><u><u>\$ 5,218,186</u></u></b> |
|--|-----------------------------------|

**LANSING SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

|   | <b>Private<br/>purpose trust<br/>fund</b> | <b>Agency fund</b>  |
|---|---|---------------------|
| <b>ASSETS</b>                           |   |                     |
| <b>ASSETS:</b>                          |   |                     |
| Cash                                    | \$ 4,000                                  | \$ 1,233,344        |
| Accounts receivable                     | 888,874                                   | 2,145               |
| <b>TOTAL ASSETS</b>                     | <b>\$ 892,874</b>                         | <b>\$ 1,235,489</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |   |                     |
| <b>LIABILITIES:</b>                     |   |                     |
| Accounts payable                        | \$ 747                                    | \$ 125,410          |
| Accrued expenses                        | 6,871                                     | 3,037               |
| Due to student groups                   |   | 1,107,042           |
| <b>TOTAL LIABILITIES</b>                | <b>7,618</b>                              | <b>1,235,489</b>    |
| <b>NET ASSETS:</b>                      |   |                     |
| Reserved for trust activities           | 885,256                                   |                     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 892,874</b>                         | <b>\$ 1,235,489</b> |



**LANSING SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2008**

|                             | <b>Private<br/>purpose trust<br/>fund</b> |
|-----------------------------|---|
| <b>ADDITIONS:</b>           |   |
| Donations                   | \$ 325,216                                |
| Interest earnings           | 23,628                                    |
| Other                       | <u>625,897</u>                            |
| Total additions             | <u>974,741</u>                            |
| <b>DEDUCTIONS:</b>          |   |
| Scholarships awarded        | 65,283                                    |
| Other                       | <u>722,332</u>                            |
| Total deductions            | <u>787,615</u>                            |
| <b>CHANGE IN NET ASSETS</b> | 187,126                                   |
| <b>NET ASSETS:</b>          |   |
| Beginning of year           | <u>698,130</u>                            |
| End of year                 | <u><u>\$ 885,256</u></u>                  |

## **LANSING SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Lansing School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **A. Reporting Entity**

The Lansing School District (the "District") is governed by the Lansing School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2003 capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

The following is a summary of the revenue and expenditures for the 2003 bond:

|                            |                      |
|----------------------------|----------------------|
| Revenue                    | <u>\$ 4,839,612</u>  |
| Expenditures and transfers | <u>\$ 68,887,485</u> |

The above revenue figure does not include original bond proceeds of \$67,554,949.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the receipt of debt proceeds and transfers from the general fund for the acquisition of fixed assets or construction of major capital projects.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period unless there are special circumstances. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue (Concluded)**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

| <u>Fund</u>                                     | <u>Mills</u> |
|---|--------------|
| General fund - Non-homestead                    | 17.9262      |
| Debt service fund - Homestead and non-homestead | 2.2557       |

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

|                               |              |
|-------------------------------|--------------|
| Buildings and additions       | 50 years     |
| Furniture and other equipment | 5 - 20 years |
| Land improvements             | 20 years     |
| Transportation equipment      | 7 years      |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are analyzed on a case-by-case basis.

6. Compensated absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Deputy Superintendent of Business is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2008 the District had no investments.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$26,692,516 of the District's bank balance of \$27,706,779 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$23,826,961.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

|   |                             |
|---|-----------------------------|
| Deposits - including fiduciary funds of \$1,237,344 | <u><u>\$ 23,826,961</u></u> |
|---|-----------------------------|

The above amounts are reported in the financial statements as follows:

|                                   |                             |
|-----------------------------------|-----------------------------|
| Cash - private purpose trust fund | \$ 4,000                    |
| Cash - agency fund                | 1,233,344                   |
| Cash - district-wide              | 16,842,793                  |
| Cash - restricted                 | <u>5,746,824</u>            |
|                                   | <u><u>\$ 23,826,961</u></u> |

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

|                               | Balance<br>July 1, 2007 | Additions    | Reclassifications/<br>Deletions | Balance<br>June 30, 2008 |
|-------------------------------|-------------------------|--------------|---------------------------------|--------------------------|
| Assets not being depreciated: |                         |              |                                 |                          |
| Land                          | \$ 4,520,117            | \$ -         | \$ -                            | \$ 4,520,117             |
| Construction in progress      | 5,945,123               | 3,807,116    | (7,528,223)                     | 2,224,016                |
| Subtotal                      | 10,465,240              | 3,807,116    | (7,528,223)                     | 6,744,133                |
| Other capital assets:         |                         |              |                                 |                          |
| Land improvements             | 17,993,744              | 915,479      | -                               | 18,909,223               |
| Buildings and additions       | 127,177,639             | 4,152,502    | -                               | 131,330,141              |
| Machinery and equipment       | 10,376,284              | 2,450,827    | -                               | 12,827,111               |
| Buses                         | 4,646,066               | -            | -                               | 4,646,066                |
| Transportation equipment      | 1,376,674               | -            | -                               | 1,376,674                |
| Subtotal                      | 161,570,407             | 7,518,808    | -                               | 169,089,215              |
| Accumulated depreciation:     |                         |              |                                 |                          |
| Land improvements             | 8,057,119               | 670,069      | -                               | 8,727,188                |
| Buildings and additions       | 53,857,438              | 2,550,069    | -                               | 56,407,507               |
| Machinery and equipment       | 6,961,379               | 674,529      | -                               | 7,635,908                |
| Buses                         | 3,534,347               | 377,729      | -                               | 3,912,076                |
| Transportation equipment      | 1,181,497               | 94,071       | -                               | 1,275,568                |
| Subtotal                      | 73,591,780              | 4,366,467    | -                               | 77,958,247               |
| Net other capital assets      | 87,978,627              | 3,152,341    | -                               | 91,130,968               |
| Net capital assets            | \$ 98,443,867           | \$ 6,959,457 | \$ (7,528,223)                  | \$ 97,875,101            |

Depreciation for the fiscal year ended June 30, 2008 amounted to \$4,366,467.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CAPITAL ASSETS (Concluded)**

Depreciation expense was charged to programs of the District as follows:

|                 |                            |
|-----------------|----------------------------|
| Instruction     | \$ 1,480,317               |
| Support service | 538,563                    |
| Food service    | 47,054                     |
| Athletics       | 502,625                    |
| Unallocated     | <u>1,797,908</u>           |
|                 | <u><u>\$ 4,366,467</u></u> |

**NOTE 5 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

|                          | Self-insured<br>workers<br>compensation<br>plan | Termination<br>benefits and<br>compensated<br>absences | Severance<br>benefits | Notes payable       | Bonds                | Total                |
|--------------------------|---|--|-----------------------|---------------------|----------------------|----------------------|
| Balance, July 1, 2007    | \$ 279,148                                      | \$ 4,093,055   | \$ 3,102,161          | \$ 2,038,392        | \$ 76,597,436        | \$ 86,110,192        |
| Additions                | 210,371   | 112,913  |                       |                     |                      | 323,284              |
| Deletions                |   |  | 3,102,161             | 380,111             | 3,522,887            | <u>7,005,159</u>     |
| Balance, June 30, 2008   | 489,519   | 4,205,968  | -                     | 1,658,281           | 73,074,549           | 79,428,317           |
| Less current portion     |   | <u>2,231,280</u>                                       | -                     | <u>335,926</u>      | <u>3,886,179</u>     | <u>6,453,385</u>     |
| Total due after one year | <u>\$ 489,519</u>                               | <u>\$ 1,974,688</u>                                    | <u>\$ -</u>           | <u>\$ 1,322,355</u> | <u>\$ 69,188,370</u> | <u>\$ 72,974,932</u> |

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Continued):**

Bonds payable at June 30, 2008 is comprised of the following issues:

|  |                      |
|--|----------------------|
| 2006 general obligation refunding bonds due in annual installments of \$55,000 to \$5,065,000 through May 1 2023, with interest at 4.00%                       | \$ 7,760,000         |
| 2003 general obligation and refunding bonds due in annual installments of \$2,385,000 to \$4,800,000 through May 1, 2022 with interest at 3.550% to 5.000%     | 51,815,000           |
| 1998 general obligation refunding bonds due in an annual installment of \$1,000,000 in May 2009 with interest at 5.00%   | 1,000,000            |
| 2002 energy conservation improvement bonds due in annual installments of \$115,000 to \$130,000 through May 1, 2012 with interest at 3.25% to 3.75%            | 490,000              |
| 2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%   | 5,000,000            |
| Plus: premium on 2003 bond issuance (net)  | 3,264,327            |
| Less: deferred loss on refundings (net)  | (352,018)            |
| Total general obligation debt  | 68,977,309           |
| 1998 Limited obligation bonds (Durant bonds) due in annual installments of \$386,179 to \$2,378,168 through May 2013 with interest at 4.76%                    | 4,097,240            |
| Note payable - Phone system - due in quarterly installments of \$79,153 to \$109,445 from September 1, 2007 to January 1, 2013, with an interest rate of 5.31% | 1,658,281            |
| Accrued retirement benefits and worker's compensation:   |                      |
| Obligation for compensated absences and termination benefits   | 4,205,968            |
| Obligation for worker's compensation claims  | 489,519              |
| Total debt   | <u>\$ 79,428,317</u> |

The Durant bonds, including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT (Continued)**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$10,120,000 of bonds outstanding are considered defeased.

The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2008, including interest payments of \$25,777,430 are as follows: At June 30, 2008, \$2,518,143 is available to service the general obligation debt.

| Year ending June 30,                          | Principal            | Interest             | Amounts payable       |
|---|----------------------|----------------------|-----------------------|
| 2009  | \$ 4,222,105         | \$ 3,864,850         | \$ 8,086,955          |
| 2010  | 6,002,278            | 2,772,849            | 8,775,127             |
| 2011  | 4,197,092            | 2,572,135            | 6,769,227             |
| 2012  | 4,367,451            | 2,395,614            | 6,763,065             |
| 2013  | 4,191,595            | 2,214,856            | 6,406,451             |
| 2014-2018                                     | 24,725,000           | 8,625,326            | 33,350,326            |
| 2019-2023                                     | 24,115,000           | 3,331,800            | 27,446,800            |
|   | 71,820,521           | 25,777,430           | 97,597,951            |
| Premium on bond issuance                      | 3,264,327            |                      | 3,264,327             |
| Deferred amount on bond refunding             | (352,018)            |                      | (352,018)             |
| Compensated absences and termination benefits | 4,205,968            |                      | 4,205,968             |
| Workers' compensation claims                  | 489,519              |                      | 489,519               |
|   | <u>\$ 79,428,317</u> | <u>\$ 25,777,430</u> | <u>\$ 105,205,747</u> |

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2008 are as follows:

| Receivable fund      |                     | Payable fund          |                     |
|----------------------|---------------------|-----------------------|---------------------|
| General fund         | \$ 1,471,565        | 2003 Capital projects | \$ 2,083,248        |
| Other nonmajor funds | <u>1,542,042</u>    | Other nonmajor funds  | <u>930,359</u>      |
|                      | <u>\$ 3,013,607</u> |                       | <u>\$ 3,013,607</u> |

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within the year.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.



**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded):**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% of payroll through September 30, 2007 and 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$15,858,517, \$16,446,763 and \$16,214,992, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits and post-employment benefits which are the responsibility of the State of Michigan.

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

**NOTE 9 - CONTINGENCIES**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**LANSING SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - TRANSFERS**

The general fund transferred \$1,699,681 to the athletic fund, \$557,150 to the debt service funds, \$1,226,168 to the capital projects fund and the debt service funds transferred \$169,122 to other debt service funds, the athletic fund transferred \$154,415 to the general fund.

The transfers to the athletics fund was to fund operations, the transfer to the debt service fund is for future retirement of debt, the transfers to the general fund were to reimburse the general fund for current year indirect and other approved costs.

**NOTE 11 - COMMITMENTS**

The District has active capital projects outstanding at June 30, 2008. Approximately \$3,500,000 is committed and recorded as fund balance in the 2003 capital projects fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LANSING SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

|  | <b>Original<br/>budget</b> | <b>Final budget</b> | <b>Actual</b>        | <b>Variance with<br/>final budget<br/>positive<br/>(negative)</b> |
|--|----------------------------|---------------------|----------------------|---|
| <b>REVENUES:</b>   |                            |                     |                      |   |
| Local sources  | \$ 25,970,000              | \$28,649,000        | \$ 28,483,241        | \$ (165,759)  |
| State sources  | 107,916,000                | 114,602,000         | 107,171,133          | (7,430,867)   |
| Federal sources  | 25,408,000                 | 32,606,000          | 28,063,232           | (4,542,768)   |
| Incoming transfers   | 12,000,000                 | 11,149,000          | 11,403,921           | 254,921   |
| Intermediate sources   | 10,000                     | 3,000               |                      | (3,000)   |
| Total revenues   | 171,304,000                | 187,009,000         | 175,121,527          | (11,887,473)  |
| <b>EXPENDITURES:</b>   |                            |                     |                      |   |
| Current:   |                            |                     |                      |   |
| Instruction:   |                            |                     |                      |   |
| Basic programs   | 61,965,000                 | 71,700,000          | 66,853,256           | 4,846,744   |
| Added needs  | 36,619,000                 | 32,784,000          | 31,288,442           | 1,495,558   |
| Adult and continuing education                                       | 465,000                    | 385,000             | 371,384              | 13,616  |
| Total instruction  | 99,049,000                 | 104,869,000         | 98,513,082           | 6,355,918   |
| Supporting services:   |                            |                     |                      |   |
| Pupil  | 16,704,000                 | 15,675,000          | 15,351,559           | 323,441   |
| Instructional staff  | 9,137,000                  | 12,943,000          | 10,445,914           | 2,497,086   |
| General administration   | 901,000                    | 1,314,000           | 1,187,685            | 126,315   |
| School administration  | 8,988,000                  | 9,160,000           | 9,117,990            | 42,010  |
| Business   | 3,987,000                  | 3,925,540           | 3,732,885            | 192,655   |
| Operation/maintenance  | 16,951,000                 | 18,114,460          | 17,935,882           | 178,578   |
| Pupil transportation   | 10,270,000                 | 9,225,000           | 8,520,896            | 704,104   |
| Central  | 3,795,000                  | 5,635,000           | 4,710,800            | 924,200   |
| Other  |                            | 128,000             | 27,017               | 100,983   |
| Total supporting services  | 70,733,000                 | 76,120,000          | 71,030,628           | 5,089,372   |
| Community service activities   | 455,000                    | 689,000             | 552,606              | 136,394   |
| Total expenditures   | 170,237,000                | 181,678,000         | 170,096,316          | 11,581,684  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 1,067,000                  | 5,331,000           | 5,025,211            | (305,789)   |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                            |                     |                      |   |
| Operating transfers from other funds                                 |                            |                     | 154,415              | 154,415   |
| Operating transfers to other funds                                   | (2,427,000)                | (5,871,000)         | (3,482,999)          | 2,388,001   |
| Total other financing sources (uses)                                 | (2,427,000)                | (5,871,000)         | (3,328,584)          | 2,542,416   |
| <b>SPECIAL ITEM:</b>   |                            |                     |                      |   |
| Sale of school buildings   |                            |                     | 111,755              | 111,755   |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>\$ (1,360,000)</u>      | <u>\$ (540,000)</u> | 1,808,382            | <u>\$ 2,348,382</u>   |
| <b>FUND BALANCE:</b>   |                            |                     |                      |   |
| Beginning of year  |                            |                     | 15,050,381           |   |
| End of year  |                            |                     | <u>\$ 16,858,763</u> |   |

## **ADDITIONAL INFORMATION**

**LANSING SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2008**

|  | <b>Special<br/>revenue<br/>funds</b> | <b>Debt service<br/>funds</b> | <b>Capital<br/>projects<br/>funds</b> | <b>Total<br/>nonmajor<br/>governmental<br/>funds</b> |
|--|--------------------------------------|-------------------------------|---------------------------------------|--|
| <b>ASSETS</b>                                  |                                      |                               |                                       |  |
| <b>ASSETS:</b>                                 |                                      |                               |                                       |  |
| Cash and cash equivalents                      | \$                                   | \$ 2,149,035                  | \$ 1,581,352                          | \$ 3,730,387   |
| Accounts receivable                            | 3,128                                |                               |                                       | 3,128  |
| Taxes receivable                               |                                      | 99,549                        |                                       | 99,549   |
| Due from other governmental units              | 642,174                              |                               |                                       | 642,174  |
| Due from other funds                           | 168,074                              | 546,007                       | 827,961                               | 1,542,042  |
| Inventories                                    | 155,650                              |                               |                                       | 155,650  |
| <b>TOTAL ASSETS</b>                            | <u><u>\$ 969,026</u></u>             | <u><u>\$ 2,794,591</u></u>    | <u><u>\$ 2,409,313</u></u>            | <u><u>\$ 6,172,930</u></u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>           |                                      |                               |                                       |  |
| <b>LIABILITIES:</b>                            |                                      |                               |                                       |  |
| Accounts payable                               | \$ 157,220                           | \$ 72                         | \$ 5,649                              | \$ 162,941   |
| Accrued salaries and related items             | 47,644                               |                               |                                       | 47,644   |
| Due to other funds                             | 751,446                              | 178,913                       |                                       | 930,359  |
| Deferred revenue                               |                                      | 97,463                        |                                       | 97,463   |
| <b>TOTAL LIABILITIES</b>                       | <u>956,310</u>                       | <u>276,448</u>                | <u>5,649</u>                          | <u>1,238,407</u>                                     |
| <b>FUND BALANCES:</b>                          |                                      |                               |                                       |  |
| Reserved for debt service                      |                                      | 2,518,143                     |                                       | 2,518,143  |
| Unreserved, undesignated                       | 12,716                               |                               | 2,403,664                             | 2,416,380  |
| <b>TOTAL FUND BALANCES</b>                     | <u>12,716</u>                        | <u>2,518,143</u>              | <u>2,403,664</u>                      | <u>4,934,523</u>                                     |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u><u>\$ 969,026</u></u>             | <u><u>\$ 2,794,591</u></u>    | <u><u>\$ 2,409,313</u></u>            | <u><u>\$ 6,172,930</u></u>                           |

**LANSING SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2008**

|  | <b>Special<br/>revenue<br/>funds</b> | <b>Debt service<br/>funds</b> | <b>Capital<br/>projects<br/>funds</b> | <b>Total<br/>nonmajor<br/>governmental<br/>funds</b> |
|--|--------------------------------------|-------------------------------|---------------------------------------|--|
| <b>REVENUES:</b>   |                                      |                               |                                       |  |
| Local sources:   |                                      |                               |                                       |  |
| Property taxes   | \$                                   | \$6,212,632                   | \$                                    | \$ 6,212,632   |
| Investment earnings  |                                      | 165,443                       | 109,169                               | 274,612  |
| Food sales and athletic admissions                                   | 1,294,669                            |                               |                                       | 1,294,669  |
| Other  | 10,836                               |                               |                                       | 10,836   |
| Total local sources  | 1,305,505                            | 6,378,075                     | 109,169                               | 7,792,749  |
| State sources  | 359,356                              |                               |                                       | 359,356  |
| Federal sources  | 4,967,982                            |                               |                                       | 4,967,982  |
| Total revenues   | 6,632,843                            | 6,378,075                     | 109,169                               | 13,120,087   |
| <b>EXPENDITURES:</b>   |                                      |                               |                                       |  |
| Current:   |                                      |                               |                                       |  |
| Food service activities  | 6,450,878                            |                               |                                       | 6,450,878  |
| Athletic activities  | 1,714,712                            |                               |                                       | 1,714,712  |
| Capital outlay   |                                      |                               | 2,797,965                             | 2,797,965  |
| Debt service:  |                                      |                               |                                       |  |
| Principal repayment  |                                      | 3,330,000                     |                                       | 3,330,000  |
| Interest expense   |                                      | 2,974,490                     |                                       | 2,974,490  |
| Other expense  |                                      | 1,164                         |                                       | 1,164  |
| Total expenditures   | 8,165,590                            | 6,305,654                     | 2,797,965                             | 17,269,209   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (1,532,747)                          | 72,421                        | (2,688,796)                           | (4,149,122)  |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                                      |                               |                                       |  |
| Operating transfers from other funds                                 | 1,699,681                            | 726,272                       | 1,226,168                             | 3,652,121  |
| Operating transfers to other funds                                   | (154,415)                            | (169,122)                     |                                       | (323,537)  |
| Total other financing sources (uses)                                 | 1,545,266                            | 557,150                       | 1,226,168                             | 3,328,584  |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 12,519                               | 629,571                       | (1,462,628)                           | (820,538)  |
| <b>FUND BALANCES:</b>  |                                      |                               |                                       |  |
| Beginning of year  | 197                                  | 1,888,572                     | 3,866,292                             | 5,755,061  |
| End of year  | \$ 12,716                            | \$2,518,143                   | \$ 2,403,664                          | \$ 4,934,523   |

**LANSING SCHOOL DISTRICT  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

|  | <b>Food service<br/>fund</b> | <b>Athletic<br/>fund</b> | <b>Totals</b>     |
|--|------------------------------|--------------------------|-------------------|
| <b>ASSETS</b>                              |                              |                          |                   |
| Accounts receivable                        | \$ 3,128                     | \$                       | \$ 3,128          |
| Due from other funds                       |                              | 168,074                  | 168,074           |
| Due from other governmental units          | 642,174                      |                          | 642,174           |
| Inventories                                | 155,650                      |                          | 155,650           |
| <b>TOTAL ASSETS</b>                        | <b>\$ 800,952</b>            | <b>\$ 168,074</b>        | <b>\$ 969,026</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                              |                          |                   |
| <b>LIABILITIES:</b>                        |                              |                          |                   |
| Accounts payable                           | \$ 142,550                   | \$ 14,670                | \$ 157,220        |
| Accrued salaries and related items         | 21,774                       | 25,870                   | 47,644            |
| Due to other funds                         | 624,109                      | 127,337                  | 751,446           |
| <b>TOTAL LIABILITIES</b>                   | <b>788,433</b>               | <b>167,877</b>           | <b>956,310</b>    |
| <b>FUND BALANCES:</b>                      |                              |                          |                   |
| Undesignated                               | 12,519                       | 197                      | 12,716            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 800,952</b>            | <b>\$ 168,074</b>        | <b>\$ 969,026</b> |



**LANSING SCHOOL DISTRICT  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

|  | <b>Food service<br/>fund</b> | <b>Athletic<br/>fund</b> | <b>Totals</b> |
|--|------------------------------|--------------------------|---------------|
| <b>REVENUES:</b>   |                              |                          |               |
| Sales  | \$ 1,125,223                 | \$                       | \$ 1,125,223  |
| State aid  | 359,356                      |                          | 359,356       |
| Federal aid  | 4,967,982                    |                          | 4,967,982     |
| Admissions   |                              | 169,446                  | 169,446       |
| Other  | 10,836                       |                          | 10,836        |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| Total revenues   | 6,463,397                    | 169,446                  | 6,632,843     |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| <b>EXPENDITURES:</b>   |                              |                          |               |
| Cost of goods sold - net   | 2,759,552                    |                          | 2,759,552     |
| Salaries and wages   | 1,644,525                    | 976,100                  | 2,620,625     |
| Employee benefits  | 932,300                      | 349,915                  | 1,282,215     |
| Contracted services  | 751,333                      | 127,909                  | 879,242       |
| Travel, workshops, and conferences                                   | 12,856                       | 5,895                    | 18,751        |
| Materials and supplies   | 320,696                      | 165,970                  | 486,666       |
| Capital outlay   | 26,485                       | 57,498                   | 83,983        |
| Miscellaneous  | 3,131                        | 31,425                   | 34,556        |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| Total expenditures   | 6,450,878                    | 1,714,712                | 8,165,590     |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 12,519                       | (1,545,266)              | (1,532,747)   |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                              |                          |               |
| Operating transfers from other funds                                 |                              | 1,699,681                | 1,699,681     |
| Operating transfers to other funds                                   |                              | (154,415)                | (154,415)     |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| Total other financing sources  |                              | 1,545,266                | 1,545,266     |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 12,519                       |                          | 12,519        |
|  | <hr/>                        |                          | <hr/>         |
| <b>FUND BALANCES:</b>  |                              |                          |               |
| Beginning of year  |                              | 197                      | 197           |
|  | <hr/>                        | <hr/>                    | <hr/>         |
| End of year  | \$ 12,519                    | \$ 197                   | \$ 12,716     |
|  | <hr/> <hr/>                  | <hr/> <hr/>              | <hr/> <hr/>   |

**LANSING SCHOOL DISTRICT  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

|  | <b>1998</b>       | <b>QZAB</b>         | <b>2003<br/>Energy</b> | <b>2003</b>       | <b>2006<br/>Refunding</b> | <b>2003<br/>Refunding</b> | <b>Totals</b>       |
|--|-------------------|---------------------|------------------------|-------------------|---------------------------|---------------------------|---------------------|
| <b>ASSETS</b>                              |                   |                     |                        |                   |                           |                           |                     |
| Cash and cash equivalents                  | \$ 415,156        | \$ 1,559,912        | \$ 4,797               | \$                | \$ 167,740                | \$ 1,430                  | \$ 2,149,035        |
| Taxes receivable                           | 432               |                     |                        | 99,117            |                           |                           | 99,549              |
| Due from other funds                       |                   | 10,870              | 6                      | 525,148           | 9,970                     | 13                        | 546,007             |
| <b>TOTAL ASSETS</b>                        | <u>\$ 415,588</u> | <u>\$ 1,570,782</u> | <u>\$ 4,803</u>        | <u>\$ 624,265</u> | <u>\$ 177,710</u>         | <u>\$ 1,443</u>           | <u>\$ 2,794,591</u> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                   |                     |                        |                   |                           |                           |                     |
| <b>LIABILITIES:</b>                        |                   |                     |                        |                   |                           |                           |                     |
| Due to other funds                         | \$ 178,913        | \$                  | \$                     | \$                | \$                        | \$                        | \$ 178,913          |
| Accounts payable                           | 13                |                     |                        | 59                |                           |                           | 72                  |
| Deferred revenue                           |                   |                     |                        | 97,463            |                           |                           | 97,463              |
| <b>TOTAL LIABILITIES</b>                   | 178,926           |                     |                        | 97,522            |                           |                           | 276,448             |
| <b>FUND BALANCES:</b>                      |                   |                     |                        |                   |                           |                           |                     |
| Reserved for debt service                  | 236,662           | 1,570,782           | 4,803                  | 526,743           | 177,710                   | 1,443                     | 2,518,143           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 415,588</u> | <u>\$ 1,570,782</u> | <u>\$ 4,803</u>        | <u>\$ 624,265</u> | <u>\$ 177,710</u>         | <u>\$ 1,443</u>           | <u>\$ 2,794,591</u> |

**LANSING SCHOOL DISTRICT  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

|  | <b>1990</b> | <b>1991</b> | <b>1992</b> | <b>1998</b>  | <b>QZAB</b>  | <b>2003<br/>Energy</b> | <b>2003</b>  | <b>2006<br/>Refunding</b> | <b>2003<br/>Refunding</b> | <b>Totals</b> |
|--|-------------|-------------|-------------|--------------|--------------|------------------------|--------------|---------------------------|---------------------------|---------------|
| <b>REVENUES:</b>   |             |             |             |              |              |                        |              |                           |                           |               |
| Local sources:   |             |             |             |              |              |                        |              |                           |                           |               |
| Current property taxes   | \$          | \$          | \$          | \$ 1,101,041 | \$           | \$                     | \$ 4,796,591 | \$ 315,000                | \$                        | \$ 6,212,632  |
| Interest on investments  | 4,400       | 5,018       | 4,722       | 54,798       | 65,245       | 4,841                  | 26,089       | 235                       | 95                        | 165,443       |
| Total revenues   | 4,400       | 5,018       | 4,722       | 1,155,839    | 65,245       | 4,841                  | 4,822,680    | 315,235                   | 95                        | 6,378,075     |
| <b>EXPENDITURES:</b>   |             |             |             |              |              |                        |              |                           |                           |               |
| Redemption of serial bonds   |             |             |             | 1,005,000    |              | 110,000                | 2,215,000    |                           |                           | 3,330,000     |
| Interest on bonded debt  |             |             |             | 100,250      |              | 21,063                 | 2,542,777    | 310,400                   |                           | 2,974,490     |
| Other  |             |             |             | 299          | 250          | 125                    | 249          | 241                       |                           | 1,164         |
| Total expenditures   |             |             |             | 1,105,549    | 250          | 131,188                | 4,758,026    | 310,641                   |                           | 6,305,654     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 4,400       | 5,018       | 4,722       | 50,290       | 64,995       | (126,347)              | 64,654       | 4,594                     | 95                        | 72,421        |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |             |             |             |              |              |                        |              |                           |                           |               |
| Operating transfers to other funds                                   | (57,371)    | (49,627)    | (62,124)    |              |              |                        |              |                           |                           | (169,122)     |
| Operating transfers from other funds                                 |             |             |             |              | 426,000      | 131,150                |              | 169,122                   |                           | 726,272       |
| Total other financing sources (uses)                                 | (57,371)    | (49,627)    | (62,124)    |              | 426,000      | 131,150                |              | 169,122                   |                           | 557,150       |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | (52,971)    | (44,609)    | (57,402)    | 50,290       | 490,995      | 4,803                  | 64,654       | 173,716                   | 95                        | 629,571       |
| <b>FUND BALANCES:</b>  |             |             |             |              |              |                        |              |                           |                           |               |
| Beginning of year  | 52,971      | 44,609      | 57,402      | 186,372      | 1,079,787    |                        | 462,089      | 3,994                     | 1,348                     | 1,888,572     |
| End of year  | \$          | \$          | \$          | \$ 236,662   | \$ 1,570,782 | \$ 4,803               | \$ 526,743   | \$ 177,710                | \$ 1,443                  | \$ 2,518,143  |

**LANSING SCHOOL DISTRICT  
CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

|  | <b>Capital<br/>projects</b> | <b>BTS capital<br/>project</b> | <b>Replacement<br/>fund</b> | <b>QZAB</b>      | <b>Technology<br/>fund</b> | <b>Totals</b>       |
|--|-----------------------------|--------------------------------|-----------------------------|------------------|----------------------------|---------------------|
| <b>ASSETS</b>                                  |                             |                                |                             |                  |                            |                     |
| Cash and cash equivalents                      | \$                          | \$ 175,825                     | \$ 1,335,021                | \$ 70,506        | \$                         | \$ 1,581,352        |
| Due from other funds                           | 458,476                     | 225                            | 1,705                       | 90               | 367,465                    | 827,961             |
| <b>TOTAL ASSETS</b>                            | <u>\$ 458,476</u>           | <u>\$ 176,050</u>              | <u>\$ 1,336,726</u>         | <u>\$ 70,596</u> | <u>\$ 367,465</u>          | <u>\$ 2,409,313</u> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                             |                                |                             |                  |                            |                     |
| <b>LIABILITIES:</b>                            |                             |                                |                             |                  |                            |                     |
| Accounts payable                               | \$ 5,649                    | \$                             | \$                          | \$               | \$                         | \$ 5,649            |
| <b>FUND BALANCES:</b>                          |                             |                                |                             |                  |                            |                     |
| Reserved for capital projects                  | 452,827                     | 176,050                        | 1,336,726                   | 70,596           | 367,465                    | 2,403,664           |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$ 458,476</u>           | <u>\$ 176,050</u>              | <u>\$ 1,336,726</u>         | <u>\$ 70,596</u> | <u>\$ 367,465</u>          | <u>\$ 2,409,313</u> |

**LANSING SCHOOL DISTRICT  
CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

|  | <u>Capital<br/>projects</u> | <u>BTS capital<br/>project</u> | <u>Replacement<br/>fund</u> | <u>QZAB</u>      | <u>Technology<br/>fund</u> | <u>Totals</u>       |
|--|-----------------------------|--------------------------------|-----------------------------|------------------|----------------------------|---------------------|
| <b>REVENUES:</b>   |                             |                                |                             |                  |                            |                     |
| Interest on investments  | \$ -                        | \$ 12,134                      | \$ 92,157                   | \$ 4,878         | \$                         | \$ 109,169          |
| <b>EXPENDITURES:</b>   |                             |                                |                             |                  |                            |                     |
| Capital outlay   | <u>2,774,325</u>            |                                | <u>647</u>                  |                  | <u>22,993</u>              | <u>2,797,965</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (2,774,325)                 | 12,134                         | 91,510                      | 4,878            | (22,993)                   | (2,688,796)         |
| <b>OTHER FINANCING SOURCES (USES):</b>                               |                             |                                |                             |                  |                            |                     |
| Operating transfers from other funds                                 | <u>1,110,889</u>            |                                |                             |                  | <u>115,279</u>             | <u>1,226,168</u>    |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | (1,663,436)                 | 12,134                         | 91,510                      | 4,878            | 92,286                     | (1,462,628)         |
| <b>FUND BALANCES:</b>  |                             |                                |                             |                  |                            |                     |
| Beginning of year  | <u>2,116,263</u>            | <u>163,916</u>                 | <u>1,245,216</u>            | <u>65,718</u>    | <u>275,179</u>             | <u>3,866,292</u>    |
| End of year  | <u>\$ 452,827</u>           | <u>\$ 176,050</u>              | <u>\$ 1,336,726</u>         | <u>\$ 70,596</u> | <u>\$ 367,465</u>          | <u>\$ 2,403,664</u> |

**LANSING SCHOOL DISTRICT  
FIDUCIARY FUND TYPES  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

|  | <b>Private<br/>purpose<br/>trust fund</b> | <b>Agency fund</b>         | <b>Totals</b>              |
|--|---|----------------------------|----------------------------|
| <b>ASSETS</b>                                  |   |                            |                            |
| Cash and cash equivalents                      | \$ 4,000                                  | \$ 1,233,344               | \$ 1,237,344               |
| Accounts receivable                            | 888,874                                   | 2,145                      | 891,019                    |
|  | <u>888,874</u>                            | <u>2,145</u>               | <u>891,019</u>             |
| <b>TOTAL ASSETS</b>                            | <u><u>\$ 892,874</u></u>                  | <u><u>\$ 1,235,489</u></u> | <u><u>\$ 2,128,363</u></u> |
| <b>LIABILITIES AND FUND BALANCES</b>           |   |                            |                            |
| <b>LIABILITIES:</b>                            |   |                            |                            |
| Accounts payable                               | \$ 747                                    | \$ 125,410                 | \$ 126,157                 |
| Accrued expenses                               | 6,871                                     | 3,037                      | 9,908                      |
| Due to student groups                          |   | 1,107,042                  | 1,107,042                  |
|  | <u>7,618</u>                              | <u>1,107,042</u>           | <u>1,107,042</u>           |
| Total liabilities                              | 7,618                                     | 1,235,489                  | 1,243,107                  |
| <b>FUND BALANCES:</b>                          |   |                            |                            |
| Reserved for trust activities                  | 885,256                                   |                            | 885,256                    |
|  | <u>885,256</u>                            | <u></u>                    | <u>885,256</u>             |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u><u>\$ 892,874</u></u>                  | <u><u>\$ 1,235,489</u></u> | <u><u>\$ 2,128,363</u></u> |

**LANSING SCHOOL DISTRICT  
FIDUCIARY FUND TYPES  
STATEMENT OF REVENUES, EXPENDITURES  
AND FUND BALANCES - PRIVATE PURPOSE TRUST FUND  
YEAR ENDED JUNE 30, 2008**

|                             | <b>Balance<br/>07/01/07</b> | <b>Revenues<br/>and<br/>transfers</b> | <b>Expenditures<br/>and<br/>transfers</b> | <b>Balance<br/>06/30/08</b> |
|-----------------------------|-----------------------------|---------------------------------------|---|-----------------------------|
| Library revolving funds     | \$ 94,511                   | \$ 591,692                            | \$ 588,524                                | \$ 97,679                   |
| Harold Norton award         | 845                         | 28                                    | 150                                       | 723                         |
| Carl McLean award           | 11,225                      | 437                                   |   | 11,662                      |
| Grabow scholarship          | 230                         | 8                                     |   | 238                         |
| Memorial fund donations     | 7,565                       | 253                                   |   | 7,818                       |
| Special education donations | 1,440                       | 65                                    |   | 1,505                       |
| Windfuhr scholarship        | 2,675                       | 4,520                                 | 7,165                                     | 30                          |
| Miscellaneous funds         | 579,639                     | 377,738                               | 191,776                                   | 765,601                     |
|                             | <u>\$ 698,130</u>           | <u>\$ 974,741</u>                     | <u>\$ 787,615</u>                         | <u>\$ 885,256</u>           |

**LANSING SCHOOL DISTRICT  
FIDUCIARY FUND TYPES  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND LIABILITIES BY SCHOOL - AGENCY FUND  
YEAR ENDED JUNE 30, 2008**

|                                | <b>Balance<br/>07/01/07</b> | <b>Additions</b>    | <b>Deductions</b>   | <b>Balance<br/>06/30/08</b> |
|--------------------------------|-----------------------------|---------------------|---------------------|-----------------------------|
| Eastern High School            | \$ 176,390                  | \$ 163,152          | \$ 167,959          | \$ 171,583                  |
| Hill Vocational School         | 109,879                     | 123,385             | 152,537             | 80,727                      |
| Sexton High School             | 90,119                      | 95,395              | 104,919             | 80,595                      |
| Everett High School            | 167,300                     | 218,670             | 241,728             | 144,242                     |
| Pattengill Middle School - New |                             | 25,999              | 10,992              | 15,007                      |
| Gardner Middle School          | 73,801                      | 110,854             | 113,931             | 70,724                      |
| Pattengill Middle School       | 17,708                      | 1,862               | 19,570              |                             |
| Otto Middle School             | 18,674                      | 35,871              | 29,680              | 24,865                      |
| Rich Middle School             | 56,033                      | 28,743              | 40,177              | 44,599                      |
| Riddle Middle School           | (177)                       | 177                 |                     |                             |
| CLCCA                          | 20                          |                     | 20                  |                             |
| Elementary schools and other   | 333,843                     | 669,050             | 528,193             | 474,700                     |
|                                | <u>\$ 1,043,590</u>         | <u>\$ 1,473,158</u> | <u>\$ 1,409,706</u> | <u>\$ 1,107,042</u>         |



**LANSING SCHOOL DISTRICT**  
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**

2006 Refunding Bonds

| Calendar<br>year       | Interest<br>rate | Principal<br>due<br>May 1 | Interest due |              | Total<br>due<br>annually |
|------------------------|------------------|---------------------------|--------------|--------------|--------------------------|
|                        |                  |                           | May 1        | November 1   |                          |
| 2008                   |                  | \$                        | \$           | \$ 155,200   | \$ 155,200               |
| 2009                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2010                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2011                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2012                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2013                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2014                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2015                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2016                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2017                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2018                   |                  |                           | 155,200      | 155,200      | 310,400                  |
| 2019                   | 4.000%           | 55,000                    | 155,200      | 154,100      | 364,300                  |
| 2020                   | 4.000%           | 55,000                    | 154,100      | 153,000      | 362,100                  |
| 2021                   | 4.000%           | 60,000                    | 153,000      | 151,800      | 364,800                  |
| 2022                   | 4.000%           | 2,525,000                 | 151,800      | 101,300      | 2,778,100                |
| 2023                   | 4.000%           | 5,065,000                 | 101,300      |              | 5,166,300                |
| Total 2006 bonded debt |                  | \$ 7,760,000              | \$ 2,267,400 | \$ 2,267,400 | \$ 12,294,800            |

The above bonds dated November 29, 2006 were issued for the purpose of refunding a portion of the District's 2004 School Building and Site and Refunding Bonds.

**LANSING SCHOOL DISTRICT  
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2008**

2003 School Building and Site and Refunding Bonds

| Calendar<br>year       | Interest<br>rate | Principal<br>due     | Interest due        |                     | Total<br>due         |
|------------------------|------------------|----------------------|---------------------|---------------------|----------------------|
|                        |                  | May 1                | May 1               | November 1          | annually             |
| 2008                   | 5.000%           | \$                   | \$                  | \$ 1,217,912        | \$ 1,217,912         |
| 2009                   | 5.000%           | 2,385,000            | 1,217,913           | 1,158,288           | 4,761,201            |
| 2010                   | 5.000%           | 3,150,000            | 1,158,287           | 1,079,537           | 5,387,824            |
| 2011                   | 4.000%           | 3,275,000            | 1,079,538           | 1,014,038           | 5,368,576            |
| 2012                   | 4.000%           | 3,400,000            | 1,014,037           | 946,037             | 5,360,074            |
| 2013                   | 4.000%           | 3,525,000            | 946,038             | 875,538             | 5,346,576            |
| 2014                   | 3.550%           | 3,650,000            | 875,537             | 810,750             | 5,336,287            |
| 2015                   | 5.000%           | 3,775,000            | 810,750             | 716,375             | 5,302,125            |
| 2016                   | 5.000%           | 3,925,000            | 716,375             | 618,250             | 5,259,625            |
| 2017                   | 5.000%           | 4,100,000            | 618,250             | 515,750             | 5,234,000            |
| 2018                   | 5.000%           | 4,275,000            | 515,750             | 408,875             | 5,199,625            |
| 2019                   | 5.000%           | 4,450,000            | 408,875             | 297,625             | 5,156,500            |
| 2020                   | 5.000%           | 4,625,000            | 297,625             | 182,000             | 5,104,625            |
| 2021                   | 5.000%           | 4,800,000            | 182,000             | 62,000              | 5,044,000            |
| 2022                   | 5.000%           | 2,480,000            | 62,000              |                     | 2,542,000            |
| Total 2003 bonded debt |                  | <u>\$ 51,815,000</u> | <u>\$ 9,902,975</u> | <u>\$ 9,902,975</u> | <u>\$ 71,620,950</u> |

The above bonds dated February 10, 2004 were issued for the purpose of erecting, furnishing and equipping a new middle school building to replace the Pattengill Middle School and a magnet elementary school addition and partially remodeling, refurnishing and re-equipping the Otto, Gardner and Dwight Rich Middle Schools and the Eastern, Sexton and Everett High Schools, including science labs; and developing and improving sites, playfields, athletic fields and facilities; and refunding a part of the School District's 1992 School Building and Site Bonds, Series IV. The amount of the original bond issue was \$64,835,000. Certain bonds scheduled to mature in 2022-2023 were refunded in November, 2006.

**LANSING SCHOOL DISTRICT**  
**BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**

1998 School Refunding Bonds

| Calendar<br>year       | Interest<br>rate | Principal<br>due<br>May 1 | Interest due |            | Total<br>due<br>annually |
|------------------------|------------------|---------------------------|--------------|------------|--------------------------|
|                        |                  |                           | May 1        | November 1 |                          |
| 2008                   | 5.00%            | \$                        | \$           | \$ 25,000  | \$ 25,000                |
| 2009                   | 5.00%            | 1,000,000                 | 25,000       |            | 1,025,000                |
| Total 1998 bonded debt |                  | \$ 1,000,000              | \$ 25,000    | \$ 25,000  | \$ 1,050,000             |

The above bonds dated January 15, 1998 were issued for the purpose of refunding bonds issued in prior years. The amount of the original bond issue was \$5,810,000.

Bonds of this issue maturing in the years 1998 through 2008 shall not be subject to redemption. Bonds or portions of bonds in multiples of \$5,000 of this issue, maturing in 2009 shall be subject to redemption prior to maturity at the option of the issuer in such order as the issuer may determine and by lot within any maturity on any interest payment date occurring on or after May 1, 2008 at par and accrued interest to the date fixed for redemption.

**LANSING SCHOOL DISTRICT  
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2008**

2002 Energy Conservation Improvement Bonds

| Calendar<br>year       | Interest<br>rate | Principal<br>due<br>May 1 | Interest due     |                  | Total<br>due<br>annually |
|------------------------|------------------|---------------------------|------------------|------------------|--------------------------|
|                        |                  |                           | May 1            | November 1       |                          |
| 2008                   | 3.250%           | \$                        | \$               | \$ 8,744         | 8,744                    |
| 2009                   | 3.375%           | 115,000                   | 8,744            | 6,803            | 130,547                  |
| 2010                   | 3.500%           | 120,000                   | 6,803            | 4,703            | 131,506                  |
| 2011                   | 3.625%           | 125,000                   | 4,703            | 2,438            | 132,141                  |
| 2012                   | 3.750%           | 130,000                   | 2,438            |                  | 132,438                  |
| Total 2002 bonded debt |                  | <u>\$ 490,000</u>         | <u>\$ 22,688</u> | <u>\$ 22,688</u> | <u>\$ 535,376</u>        |

The above bonds dated August 1, 2002 were issued for the purpose of paying the cost of certain energy conservation improvement projects for the school district facilities. The amount of the original bond issue was \$1,000,000.

Bonds of this issue are not subject to redemption prior to maturity.

**LANSING SCHOOL DISTRICT  
BONDED DEBT - PRINCIPAL REQUIREMENTS  
JUNE 30, 2008**

2002 Qualified Zone Academy Bonds

| Calendar<br>year | Interest<br>rate | Principal<br>due<br>September 17 |
|------------------|------------------|----------------------------------|
| 2016             | 0.00%            | <u>\$ 5,000,000</u>              |

The above bonds dated September 17, 2002 were issued for the purpose of paying costs of providing energy conservation improvements to school facilities. The amount of the original bond issue was \$5,000,000.

Bonds of this issue are not subject to redemption prior to maturity.

**LANSING SCHOOL DISTRICT  
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2008**

1998 School Improvement Bonds (Durant Bonds)

| <u>Calendar<br/>year</u> | <u>Interest<br/>rate</u> | <u>Principal<br/>due<br/>May 15</u> | <u>Interest<br/>due<br/>May 15</u> | <u>Total<br/>due<br/>annually</u> |
|--------------------------|--------------------------|-------------------------------------|------------------------------------|-----------------------------------|
| 2009                     | 4.76%                    | \$ 386,179                          | \$ 101,113                         | \$ 487,292                        |
| 2010                     | 4.76%                    | 2,378,168                           | 964,468                            | 3,342,636                         |
| 2011                     | 4.76%                    | 423,817                             | 63,464                             | 487,281                           |
| 2012                     | 4.76%                    | 443,971                             | 43,284                             | 487,255                           |
| 2013                     | 4.76%                    | <u>465,105</u>                      | <u>22,145</u>                      | <u>487,250</u>                    |
| Total 1998 bonded debt   |                          | <u>\$ 4,097,240</u>                 | <u>\$ 1,194,474</u>                | <u>\$ 5,291,714</u>               |

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**LANSING SCHOOL DISTRICT**  
**LEASE PURCHASE - PRINCIPAL AND INTEREST REQUIREMENTS**  
**JUNE 30, 2008**

2006 Lease Purchase of Telephone Equipment

| Calendar<br>year               | Interest<br>rate | Principal<br>Due  | Principal<br>Due  | Principal<br>Due  | Principal<br>Due  | Interest due      |                 |                  |                  | Total<br>due       |
|--------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|------------------|------------------|--------------------|
|                                |                  | January 1         | March 1           | July 1            | September 1       | January 1         | March 1         | July 1           | September 1      | annually           |
|                                |                  |                   |                   |                   |                   |                   |                 |                  | \$ 17,496        | \$ 17,496          |
| 2008                           | 5.31%            | \$                | \$                | \$                | \$ 79,153         | \$ 33,640         | \$ 16,104       | \$ 30,833        | 14,676           | 174,406            |
| 2009                           | 5.31%            | 86,597            | 80,620            | 89,556            | 82,126            | 27,950            | 13,209          | 24,991           | 11,703           | 416,752            |
| 2010                           | 5.31%            | 92,595            | 83,672            | 95,715            | 85,260            | 21,952            | 10,157          | 18,832           | 8,569            | 416,752            |
| 2011                           | 5.31%            | 98,918            | 86,890            | 102,208           | 88,563            | 15,629            | 6,939           | 12,340           | 5,266            | 416,753            |
| 2012                           | 5.31%            | 105,584           | 90,282            | 109,051           | 92,046            | 8,964             | 3,547           | 5,495            | 1,783            | 416,752            |
| 2013                           | 5.31%            | 109,445           |                   |                   |                   | 5,102             |                 |                  |                  | 114,547            |
| Total 2006 Lease Purchase Debt |                  | <u>\$ 493,139</u> | <u>\$ 341,464</u> | <u>\$ 396,530</u> | <u>\$ 427,148</u> | <u>\$ 113,237</u> | <u>\$49,956</u> | <u>\$ 92,491</u> | <u>\$ 59,493</u> | <u>\$1,973,458</u> |

The above lease purchase debt dated July 6, 2006 was issued for the purpose of financing the acquisition of telephone equipment for the school district. The original amount financed was \$2,239,375.

**LANSING SCHOOL DISTRICT**  
**SCHEDULE OF INVESTMENTS AND CERTIFICATES OF DEPOSIT**  
**JUNE 30, 2008**

|  | <u>Maturity date</u> | <u>Interest rate</u> | <u>Amount</u>      |
|--|----------------------|----------------------|--------------------|
| Pooled Funds:  |                      |                      |                    |
| Bank of New York   | N/A                  | 1.96%                | \$ 5,746,824       |
| Certificates of deposit:   |                      |                      |                    |
| Mercantile Bank  | 07/11/08             | 2.55%                | 2,000,000          |
| Citizens Bank  | 07/14/08             | 2.45%                | 800,000            |
| Mercantile Bank  | 07/25/08             | 2.65%                | 1,000,000          |
| Irwin Union  | 07/28/08             | 2.59%                | 800,000            |
| Huntington Bank  | 08/08/08             | 2.58%                | 2,100,000          |
| Huntington Bank  | 08/11/08             | 2.58%                | 900,000            |
| National City  | 08/22/08             | 2.59%                | 1,600,000          |
| Irwin Union  | 08/25/08             | 2.69%                | 900,000            |
| Irwin Union  | 09/05/08             | 2.69%                | 1,000,000          |
| Money market fund:   |                      |                      |                    |
| Fifth Third Bank   | N/A                  | 2.17%                | 3,043,752          |
| Bank of New York   | N/A                  | 3.30%                | 1,559,912          |
| Huntington Bank  | N/A                  | 1.91%                | 458,330            |
| Flagstar Bank  | N/A                  | 2.23%                | <u>10,263</u>      |
| Total investments and certificates of deposit                                      |                      |                      | 21,919,081         |
| Less:  |                      |                      |                    |
| Certificates of deposit and money markets classified as cash and cash equivalents. |                      |                      | <u>21,919,081</u>  |
| Total investments shown in district-wide statements                                |                      |                      | <u><u>\$ -</u></u> |



**LANSING SCHOOL DISTRICT**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2008**

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Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Lansing School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2008, which collectively comprise Lansing School District's basic financial statements and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lansing School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lansing School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lansing School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and questioned costs to be a significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lansing School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lansing School District in a separate letter dated October 15, 2008.

Lansing School District's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit Lansing School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 15, 2008

*Mamie Costeniser & Ellis, P.C.*



Lamonte T. Lator  
Bruce J. Dunn  
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Walter P. Maner, Jr. (1921-2004)  
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Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Lansing School District

**Compliance**

We have audited the compliance of Lansing School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Lansing School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lansing School District's management. Our responsibility is to express an opinion on Lansing School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lansing School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lansing School District's compliance with those requirements.

In our opinion, Lansing School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Lansing School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lansing School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Lansing School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lansing School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Lansing School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costenaro & Ellis, P.C.*

October 15, 2008

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

| <b>Federal grantor/pass-through grantor/program title</b> | <b>District<br/>ID<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-through<br/>Grantor's<br/>Number</b> | <b>Approved<br/>Award<br/>Amount</b> | <b>(Memo only)<br/>Prior Year<br/>Expenditures</b> | <b>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2007</b> | <b>Adjustments</b> | <b>Current<br/>Year<br/>Expenditures</b> | <b>Current<br/>Year<br/>Receipts<br/>(Cash Basis)</b> | <b>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2008</b> |
|---|-----------------------------------|------------------------------------|--|--------------------------------------|--|---|--------------------|--|---|---|
| <u>U.S. Department of Agriculture:</u>                    |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| <u>Child Nutrition Cluster</u>                            |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Michigan Department of Education:          |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| National School Lunch - Section 4                         | N/A                               | 10.555                             | 071950                                       | \$ 396,383                           | \$ 350,143   | \$ 57,918   | \$ -               | \$ 46,240                                | \$ 104,158  | \$ -  |
| National School Lunch - Section 11                        | N/A                               | 10.555                             | 071960                                       | 2,826,496                            | 2,489,017  | 417,689   | -                  | 337,479                                  | 755,168   | -   |
| National School Lunch - Snack                             | N/A                               | 10.555                             | 071980                                       | 16,857                               | 16,255   | 2,478   | -                  | 602                                      | 3,080   | -   |
| Fruit and Vegetable Program - North                       | 5798                              | 10.582                             | 080950/06662                                 | 43,022                               | -  | -   | -                  | 29,747                                   | 24,066  | 5,681   |
| Fruit and Vegetable Program                               | 5897                              | 10.555                             | 07090/5148                                   | 34,521                               | 34,521   | 6,761   | -                  | -  | 6,761   | -   |
| Fruit and Vegetable Pilot Program                         | 5898                              | 10.582                             | 080950/05148                                 | 45,841                               | -  | -   | -                  | 41,651                                   | 32,705  | 8,946   |
| National School Lunch - Section 4                         | N/A                               | 10.555                             | 081950                                       | 318,765                              | -  | -   | -                  | 318,765                                  | 309,868   | 8,897   |
| National School Lunch - Section 11                        | N/A                               | 10.555                             | 081960                                       | 2,751,900                            | -  | -   | -                  | 2,751,900                                | 2,273,800   | 478,100   |
| National School Lunch - Snack                             | N/A                               | 10.555                             | 081980                                       | 26,953                               | -  | -   | -                  | 26,953                                   | 23,993  | 2,960   |
| Summer Food Service                                       | 5998                              | 10.559                             | 070900                                       | 142,445                              | 40,445   | 40,445  | -                  | 102,000                                  | 142,445   | -   |
| Summer Food Service                                       | 5999                              | 10.559                             | 080900                                       | 63,883                               | -  | -   | -                  | 63,883                                   | -   | 63,883  |
|   |                                   |                                    |  | <u>6,667,066</u>                     | <u>2,930,381</u>                                   | <u>525,291</u>  | <u>-</u>           | <u>3,719,220</u>                         | <u>3,676,044</u>                                      | <u>568,467</u>  |
| National School Lunch - Breakfast                         | N/A                               | 10.553                             | 071970                                       | 944,170                              | 944,170  | 151,185   | -                  | -  | 151,185   | -   |
| National School Lunch - Breakfast                         | N/A                               | 10.553                             | 081970                                       | 948,978                              | -  | -   | -                  | 948,978                                  | 796,761   | 152,217   |
|   |                                   |                                    |  | <u>1,893,148</u>                     | <u>944,170</u>                                     | <u>151,185</u>  | <u>-</u>           | <u>948,978</u>                           | <u>947,946</u>  | <u>152,217</u>  |
| TOTAL CHILD NUTRITION CLUSTER                             |                                   |                                    |  | <u>8,560,214</u>                     | <u>3,874,551</u>                                   | <u>676,476</u>  | <u>-</u>           | <u>4,668,198</u>                         | <u>4,623,990</u>                                      | <u>720,684</u>  |
| National School Lunch - Commodity Entitlement             | N/A                               | 10.550                             | -----  | 299,634                              | -  | -   | -                  | 299,634                                  | 299,634   | -   |
| National School Lunch - Commodity Bonus                   | N/A                               | 10.550                             | -----  | 149                                  | -  | -   | -                  | 149                                      | 149   | -   |
|   |                                   |                                    |  | <u>299,783</u>                       | <u>-</u>   | <u>-</u>  | <u>-</u>           | <u>299,783</u>                           | <u>299,783</u>  | <u>-</u>  |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE                      |                                   |                                    |  | <u>8,859,997</u>                     | <u>3,874,551</u>                                   | <u>676,476</u>  | <u>-</u>           | <u>4,967,981</u>                         | <u>4,923,773</u>                                      | <u>720,684</u>  |
| <u>U.S. Department of Education:</u>                      |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Direct programs:  |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Impact Aid  | 1368                              | 84.041                             | -----  | 22,076                               | 19,332   | -   | -                  | 22,075                                   | 22,075  | -   |
| Indian Education  | 1308                              | 84.060A                            | S060A070962                                  | 34,699                               | -  | -   | -                  | 34,699                                   | 27,931  | 6,768   |
| Magnet Schools - Carryover                                | 1506                              | 84.165                             | U165A050034                                  | 6,065,050                            | 3,155,173  | 53,316  | -                  | 492,487                                  | 533,931   | 11,872  |
| Magnet Schools - Carryover                                | 1507                              | 84.165A                            | 076373687                                    | 2,633,067                            | -  | -   | -                  | 2,571,172                                | 2,328,686   | 242,486   |
| Magnet Schools - SMART                                    | 1508                              | 84.165A                            | U165A070064                                  | 1,689,398                            | -  | -   | -                  | 1,008,391                                | 767,628   | 240,763   |
|   |                                   |                                    |  | <u>10,387,515</u>                    | <u>3,155,173</u>                                   | <u>53,316</u>   | <u>-</u>           | <u>4,072,050</u>                         | <u>3,630,245</u>                                      | <u>495,121</u>  |
| LINK - Local Intervention Network for Kids                | 1288                              | 84.184A                            | Q184A070052                                  | 398,992                              | -  | -   | -                  | 293,985                                  | 258,830   | 35,155  |
| Smaller Learning Communities                              | 1536                              | 84.215                             | V215L042256                                  | 733,330                              | 361,368  | 32,609  | -                  | 48,566                                   | 81,175  | -   |
| Teaching American History                                 | 1577                              | 84.215                             | 076373687/0607                               | 332,779                              | 247,607  | 247,607   | -                  | 11,610                                   | 259,217   | -   |
| Teaching American History                                 | 1578                              | 84.215                             | U215X050204                                  | 341,833                              | -  | -   | -                  | 170,557                                  | 157,601   | 12,956  |
| Teaching American History C/O                             | 1588                              | 84.215                             | U215X050204                                  | 325,384                              | -  | -   | -                  | 117,344                                  | 98,969  | 18,375  |

The accompanying notes are an integral part of this schedule



**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

| <b>Federal grantor/pass-through grantor/program title</b> | <b>District ID Number</b> | <b>Federal CFDA Number</b> | <b>Pass-through Grantor's Number</b> | <b>Approved Award Amount</b> | <b>(Memo only) Prior Year Expenditures</b> | <b>Accrued (Deferred) Revenue 6/30/2007</b> | <b>Adjustments</b> | <b>Current Year Expenditures</b> | <b>Current Year Receipts (Cash Basis)</b> | <b>Accrued (Deferred) Revenue 6/30/2008</b> |
|---|---------------------------|----------------------------|--------------------------------------|------------------------------|--|---|--------------------|----------------------------------|---|---|
|   |                           |                            |                                      | <u>1,733,326</u>             | <u>608,975</u>                             | <u>280,216</u>                              | <u>-</u>           | <u>348,077</u>                   | <u>596,962</u>                            | <u>31,331</u>                               |
| <b>U.S. Department of Education:</b>                      |                           |                            |                                      |                              |  |   |                    |                                  |   |   |
| Direct programs:  |                           |                            |                                      |                              |  |   |                    |                                  |   |   |
| Foreign Language Assistance Program                       | 1527                      | 84.293B                    |                                      | \$ 245,822                   | \$ 87,809                                  | \$ 14,400                                   | \$ -               | \$ 8,997                         | \$ 23,397                                 | \$ -  |
| Foreign Language Assistance Program                       | 1528                      | 84.293B                    |                                      | 298,033                      | -  | -   | -                  | 213,222                          | 156,959                                   | 56,263                                      |
|   |                           |                            |                                      | <u>543,855</u>               | <u>87,809</u>                              | <u>14,400</u>                               | <u>-</u>           | <u>222,219</u>                   | <u>180,356</u>                            | <u>56,263</u>                               |
| Michigan Art Project                                      | 1566                      | 84.351C                    | U351C050085                          | 344,065                      | 372,981                                    | 16,306                                      | -                  | 107,145                          | 106,499                                   | 16,952                                      |
| Michigan Art Project                                      | 1568                      | 84.351C                    | U351C050085                          | 346,313                      | -  | -   | -                  | 194,484                          | 185,278                                   | 9,206                                       |
|   |                           |                            |                                      | <u>690,378</u>               | <u>372,981</u>                             | <u>16,306</u>                               | <u>-</u>           | <u>301,629</u>                   | <u>291,777</u>                            | <u>26,158</u>                               |
| PAINTS  | 1597                      | 84.351D                    | U351D060071                          | 274,949                      | 180,086                                    | 10,206                                      | -                  | 94,862                           | 93,902                                    | 11,166                                      |
| PAINTS  | 1598                      | 84.351D                    | U351D060071                          | 274,974                      | -  | -   | -                  | 59,177                           | 53,568                                    | 5,609                                       |
|   |                           |                            |                                      | <u>549,923</u>               | <u>180,086</u>                             | <u>10,206</u>                               | <u>-</u>           | <u>154,039</u>                   | <u>147,470</u>                            | <u>16,775</u>                               |
| Literacy Through Libraries                                | 1547                      | 84.364                     | S364A060337                          | 300,000                      | 167,345                                    | 9,830                                       | -                  | 16,134                           | 25,964                                    | -   |
| Passed through Michigan Department of Education:          |                           |                            |                                      |                              |  |   |                    |                                  |   |   |
| ABE English Literacy/Civics                               | 1087                      | 84.002                     | 071120/7500567                       | 15,800                       | 15,800                                     | 2,424                                       | -                  | -                                | 2,424                                     | -   |
| ABE English Literacy/Civics                               | 1088                      | 84.002                     | 081120/8500567                       | 15,800                       | -  | -   | -                  | 15,800                           | 15,800                                    | -   |
| ABE Sec 306   | 4067                      | 84.002                     | 071130/711057                        | 197,200                      | 197,200                                    | 30,041                                      | -                  | -                                | 30,041                                    | -   |
| ABE Sec 306   | 4068                      | 84.002                     | 081130/811057                        | 197,000                      | -  | -   | -                  | 197,000                          | 179,525                                   | 17,475                                      |
| ABE Sec 306   | 4097                      | 84.002                     | 071190/711057                        | 100,000                      | 100,000                                    | 13,054                                      | -                  | -                                | 13,054                                    | -   |
| ABE English Literacy/Civics                               | 4098                      | 84.002                     | 081190/811057                        | 80,000                       | -  | -   | -                  | 76,856                           | 63,517                                    | 13,339                                      |
|   |                           |                            |                                      | <u>605,800</u>               | <u>313,000</u>                             | <u>45,519</u>                               | <u>-</u>           | <u>289,656</u>                   | <u>304,361</u>                            | <u>30,814</u>                               |
| ECIA Title I - Regular                                    | 1008                      | 84.010                     | 081530/0708                          | 8,980,895                    | -  | -   | -                  | 8,025,626                        | 7,114,512                                 | 911,114                                     |
| ECIA Title I - Regular                                    | 1007                      | 84.010                     | 071530/0607                          | 7,992,722                    | 7,599,388                                  | 1,319,299                                   | -                  | 159,464                          | 1,478,763                                 | -   |
| ECIA Title I - Carryover                                  | 1017                      | 84.010                     | 061530/0607                          | 304,294                      | 304,294                                    | 261,713                                     | -                  | -                                | 261,713                                   | -   |
| ECIA Title I - Schoolwide                                 | 1048                      | 84.010                     | 071520/0708                          | 1,500                        | -  | -   | -                  | 1,043                            | 1,000                                     | 43  |
|   |                           |                            |                                      | <u>17,279,411</u>            | <u>7,903,682</u>                           | <u>1,581,012</u>                            | <u>-</u>           | <u>8,186,133</u>                 | <u>8,855,988</u>                          | <u>911,157</u>                              |
| ECIA Title I - N & D                                      | 1028                      | 84.013                     | 081700/0708                          | 92,508                       | -  | -   | -                  | 39,352                           | 22,509                                    | 16,843                                      |
| ECIA Title I - N & D                                      | 1027                      | 84.013                     | 071700/0607                          | 51,400                       | 26,356                                     | 11,454                                      | -                  | 12,150                           | 23,604                                    | -   |
| ECIA Title I - N & D - Carryover                          | 1037                      | 84.013                     | 061700/0607                          | 5,949                        | 5,949                                      | 5,949                                       | -                  | -                                | 5,949                                     | -   |
|   |                           |                            |                                      | <u>149,857</u>               | <u>32,305</u>                              | <u>17,403</u>                               | <u>-</u>           | <u>51,502</u>                    | <u>52,062</u>                             | <u>16,843</u>                               |
| Drug Free Schools   | 4007                      | 84.186                     | 072860/0607                          | 149,003                      | 139,533                                    | 18,344                                      | -                  | -                                | 18,344                                    | -   |
| Drug Free Schools   | 4008                      | 84.186                     | 082860/0708                          | 153,569                      | -  | -   | -                  | 141,908                          | 130,238                                   | 11,670                                      |
| Drug Free Schools - Carryover                             | 4018                      | 84.186                     | 072860/0708                          | 9,470                        | -  | -   | -                  | 9,470                            | 7,331                                     | 2,139                                       |
|   |                           |                            |                                      | <u>312,042</u>               | <u>139,533</u>                             | <u>18,344</u>                               | <u>-</u>           | <u>151,378</u>                   | <u>155,913</u>                            | <u>13,809</u>                               |
| Education for Homeless Children and Youth                 | 4408                      | 84.196A                    | 082320/0708                          | 51,344                       | -  | -   | -                  | 36,089                           | 30,555                                    | 5,534                                       |
| Education for Homeless Children and Youth                 | 4419                      | 84.196A                    | 072320/0708 C                        | 12,434                       | -  | -   | -                  | 12,434                           | 11,824                                    | 610   |
| Education for Homeless Children and Youth                 | 4407                      | 84.196A                    | 072320/0607                          | 51,344                       | 18,579                                     | 1,010                                       | -                  | 20,230                           | 21,240                                    | -   |
|   |                           |                            |                                      | <u>115,122</u>               | <u>18,579</u>                              | <u>1,010</u>                                | <u>-</u>           | <u>68,753</u>                    | <u>63,619</u>                             | <u>6,144</u>                                |

The accompanying notes are an integral part of this schedule

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

| <b>Federal grantor/pass-through grantor/program title</b> | <b>District<br/>ID<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-through<br/>Grantor's<br/>Number</b> | <b>Approved<br/>Award<br/>Amount</b> | <b>(Memo only)<br/>Prior Year<br/>Expenditures</b> | <b>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2007</b> | <b>Adjustments</b> | <b>Current<br/>Year<br/>Expenditures</b> | <b>Current<br/>Year<br/>Receipts<br/>(Cash Basis)</b> | <b>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2008</b> |
|---|-----------------------------------|------------------------------------|--|--------------------------------------|--|---|--------------------|--|---|---|
| 21st Century  | 1378                              | 84.287C                            | 082110/D07043                                | 600,000                              | -  | -   | -                  | 417,039                                  | 344,094   | 72,945  |
| <u>U.S. Department of Education:</u>                      |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Michigan Department of Education:          |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| ECIA Title V - Regular                                    | 1147                              | 84.298                             | 070250/0607                                  | \$ 16,186                            | \$ 10,540  | \$ (5,646)  | \$ -               | \$ 1,796                                 | \$ (3,850)  | \$ -  |
| ECIA Title V - Regular                                    | 1148                              | 84.298                             | 080250/0708                                  | 75,285                               | -  | -   | -                  | 73,476                                   | 68,433  | 5,043   |
|   |                                   |                                    |  | 91,471                               | 10,540   | (5,646)   | -                  | 75,272                                   | 64,583  | 5,043   |
| Title IID Technology                                      | 1267                              | 84.318                             | 074290/0607                                  | 82,002                               | 29,017   | 3,303   | -                  | 11,557                                   | 14,860  | -   |
| Title IID Technology                                      | 1268                              | 84.318                             | 084290/0708                                  | 123,555                              | -  | -   | -                  | 12,265                                   | 11,676  | 589   |
|   |                                   |                                    |  | 205,557                              | 29,017   | 3,303   | -                  | 23,822                                   | 26,536  | 589   |
| Comprehensive School Reform Demonstration                 | 4277                              | 84.332                             | 061870/0607                                  | 566,100                              | 418,814  | 65,369  | -                  | 114,303                                  | 179,672   | -   |
| Reading First   | 4367                              | 84.357A                            | 072930/0607                                  | 1,553,547                            | 1,504,580  | 489,982   | -                  | -  | 489,982   | -   |
| Reading First   | 4368                              | 84.357A                            | 082930/0708                                  | 1,489,316                            | -  | -   | -                  | 1,394,465                                | 1,199,191   | 195,274   |
|   |                                   |                                    |  | 3,042,863                            | 1,504,580  | 489,982   | -                  | 1,394,465                                | 1,689,173   | 195,274   |
| Title III English Language Acquisition                    | 1127                              | 84.365                             | 070580/0607                                  | 145,288                              | 142,895  | 55,128  | -                  | 2,393                                    | 57,521  | -   |
| Title III English Language Acquisition                    | 1128                              | 84.365                             | 060580/0708                                  | 143,265                              | -  | -   | -                  | 129,744                                  | 120,243   | 9,501   |
| Title III English Language Acquisition C/O                | 1137                              | 84.365                             | 060580/0607                                  | 129,539                              | 129,539  | 129,539   | -                  | -  | 129,539   | -   |
|   |                                   |                                    |  | 418,092                              | 272,434  | 184,667   | -                  | 132,137                                  | 307,303   | 9,501   |
| Title IIA, Improving Teacher Quality                      | 1098                              | 84.367                             | 080520/0708                                  | 3,272,711                            | -  | -   | -                  | 1,455,057                                | 948,668   | 506,389   |
| Title IIA, Improving Teacher Quality                      | 1097                              | 84.367                             | 070520/0607                                  | 612,466                              | 516,040  | 256,256   | -                  | 30,916                                   | 287,172   | -   |
| Title IIA, Improving Teacher Quality C/O                  | 1117                              | 84.367                             | 060520/0607                                  | 1,349,348                            | 1,349,348  | 217,486   | -                  | -  | 217,486   | -   |
|   |                                   |                                    |  | 5,234,525                            | 1,865,388  | 473,742   | -                  | 1,485,973                                | 1,453,326   | 506,389   |
| <u>Special Education Cluster</u>                          |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Ingham Intermediate School District:       |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| IDEA Flowthrough A  | 2207                              | 84.027                             | 070450/0607                                  | 8,815,947                            | 8,815,947  | 1,931,301   | -                  | -  | 1,931,301   | -   |
| IDEA Flowthrough A  | 2208                              | 84.027                             | 080450/0708                                  | 8,800,000                            | -  | -   | -                  | 8,800,000                                | 6,898,936   | 1,901,064   |
| IDEA Flowthrough B  | 2217                              | 84.027                             | 060450/0607                                  | 142,812                              | 142,812  | 51,303  | -                  | -  | 51,303  | -   |
| IDEA Flowthrough B  | 2218                              | 84.027                             | 070450/0708                                  | 166,649                              | -  | -   | -                  | 166,649                                  | 140,397   | 26,252  |
|   |                                   |                                    |  | 17,925,408                           | 8,958,759  | 1,982,604   | -                  | 8,966,649                                | 9,021,937   | 1,927,316   |
| IDEA Pre-school Development A                             | 2107                              | 84.173A                            | 070460/0607                                  | 158,271                              | 158,271  | 29,248  | -                  | -  | 29,248  | -   |
| IDEA Pre-school Development A                             | 2108                              | 84.173A                            | 080460/0708                                  | 165,230                              | -  | -   | -                  | 165,230                                  | 145,777   | 19,453  |
|   |                                   |                                    |  | 323,501                              | 158,271  | 29,248  | -                  | 165,230                                  | 175,025   | 19,453  |
| Passed through Michigan Department of Education:          |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Service Provider Self Review                              | 2007                              | 84.027A                            | 070440/0607                                  | 5,500                                | 5,500  | 5,500   | -                  | -  | 5,500   | -   |
| <b>TOTAL SPECIAL EDUCATION CLUSTER</b>                    |                                   |                                    |  | <b>18,254,409</b>                    | <b>9,122,530</b>                                   | <b>2,017,352</b>  | <b>-</b>           | <b>9,131,879</b>                         | <b>9,202,462</b>                                      | <b>1,946,769</b>  |

The accompanying notes are an integral part of this schedule

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

| <b>Federal grantor/pass-through grantor/program title</b> | <b>District<br/>ID<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-through<br/>Grantor's<br/>Number</b> | <b>Approved<br/>Award<br/>Amount</b> | <b>(Memo only)<br/>Prior Year<br/>Expenditures</b> | <b>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2007</b> | <b>Adjustments</b> | <b>Current<br/>Year<br/>Expenditures</b> | <b>Current<br/>Year<br/>Receipts<br/>(Cash Basis)</b> | <b>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2008</b> |
|---|-----------------------------------|------------------------------------|--|--------------------------------------|--|---|--------------------|--|---|---|
| <u>U.S. Department of Education:</u>                      |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Ferris State University:                   |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Freedom to Learn  | 4206                              | 84.318X                            | 064280-5A                                    | \$ 14,312                            | \$ 7,721   | \$ (2,967)  | \$ -               | \$ -                                     | \$ -  | \$ (2,967)  |
| Freedom to Learn  | 4207                              | 84.318X                            |  | 5,000                                | 5,000  | 5,000   | -                  | (5,000)                                  | -   | -   |
| Freedom to Learn  | 4208                              | 84.318X                            |  | 550                                  |  | -   | -                  | 550                                      | 550   | -   |
| Freedom to Learn  | 4217                              | 84.318X                            |  | 15,000                               | 13,485   | (1,515)   | -                  | -  | -   | (1,515)   |
| Freedom to Learn  | 4226                              | 84.318X                            |  | 8,647                                |  | (8,647)   | -                  | 5,000                                    | -   | (3,647)   |
| Freedom to Learn  | 4227                              | 84.318X                            |  | 1,250                                |  | (1,250)   | -                  | -  | -   | (1,250)   |
|   |                                   |                                    |  | <u>44,759</u>                        | <u>26,206</u>                                      | <u>(9,379)</u>  | <u>-</u>           | <u>550</u>                               | <u>550</u>  | <u>(9,379)</u>  |
| Passed through Clinton County RESA:                       |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Voc Ed Special Needs                                      | 4077                              | 84.048A                            | --   | 365,460                              | 365,460  | 80,193  | -                  | -  | 80,193  | -   |
| Voc Ed Special Needs                                      | 4078                              | 84.048A                            | --   | 380,320                              |  | -   | -                  | 374,655                                  | 291,246   | 83,409  |
|   |                                   |                                    |  | <u>745,780</u>                       | <u>365,460</u>                                     | <u>80,193</u>   | <u>-</u>           | <u>374,655</u>                           | <u>371,439</u>  | <u>83,409</u>   |
| Passed through Lansing Community College                  |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Technical Preparation                                     | 4087                              | 84.243A                            | --   | 28,291                               | 28,291   | 12,001  | -                  | -  | 12,001  | -   |
| Technical Preparation                                     | 4088                              | 84.243A                            | --   | 7,000                                |  |   | -                  | 7,000                                    | 856   | 6,144   |
|   |                                   |                                    |  | <u>35,291</u>                        | <u>28,291</u>                                      | <u>12,001</u>   | <u>-</u>           | <u>7,000</u>                             | <u>12,857</u>   | <u>6,144</u>  |
| TOTAL U.S. DEPARTMENT OF EDUCATION                        |                                   |                                    |  | <u>62,361,843</u>                    | <u>26,642,060</u>                                  | <u>5,359,146</u>  | <u>-</u>           | <u>27,369,424</u>                        | <u>28,265,548</u>                                     | <u>4,463,022</u>  |
| <u>National Science Foundation:</u>                       |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Michigan State University:                 |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Devel Leadership & Support for Urban Science Teaching     | 1447                              | 47.076                             |  | 121,652                              | 96,868   | 96,868  | (2,030)            | -  | 94,838  | -   |
| Mathematics Assessment                                    | 0167                              | 47.076                             |  | 110,410                              | 110,410  | 110,410   | -                  | 2,322                                    | 112,732   | -   |

The accompanying notes are an integral part of this schedule

**LANSING SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

| <u>Federal grantor/pass-through grantor/program title</u> | <u>District<br/>ID<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-through<br/>Grantor's<br/>Number</u> | <u>Approved<br/>Award<br/>Amount</u> | <u>(Memo only)<br/>Prior Year<br/>Expenditures</u> | <u>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2007</u> | <u>Adjustments</u> | <u>Current<br/>Year<br/>Expenditures</u> | <u>Current<br/>Year<br/>Receipts<br/>(Cash Basis)</u> | <u>Accrued<br/>(Deferred)<br/>Revenue<br/>6/30/2008</u> |
|---|-----------------------------------|------------------------------------|--|--------------------------------------|--|---|--------------------|--|---|---|
| <u>U.S. Department of Labor:</u>                          |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| <u>WIA Program Cluster</u>                                |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Capital Area Michigan Works:               |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| WIA Out of School   | 1397                              | 17.255                             | -----  | \$ 119,150                           | \$ 102,579   | \$ 5,802  | \$ -               | \$ -                                     | \$ 5,802  | \$ -  |
| WIA Out of School   | 1398                              | 17.255                             | -----  | 107,595                              | -  | -   | -                  | 106,019                                  | 95,098  | 10,921  |
| WIA In School Youth                                       | 1407                              | 17.255                             | -----  | 119,150                              | 119,150  | 15,813  | -                  | -  | 15,813  | -   |
| WIA In School Youth                                       | 1408                              | 17.255                             | -----  | 124,941                              | -  | -   | -                  | 117,801                                  | 108,587   | 9,214   |
| WIA In School Youth                                       | 3137                              | 17.255                             | -----  | 227,983                              | 199,201  | 30,657  | -                  | -  | 30,657  | -   |
| WIA In School Youth                                       | 3138                              | 17.255                             | -----  | 222,253                              | -  | -   | -                  | 207,978                                  | 196,457   | 11,521  |
| WIA In School Youth                                       | 3147                              | 17.255                             | -----  | 39,303                               | 39,303   | 5,061   | -                  | -  | 5,061   | -   |
| WIA In School Youth                                       | 3148                              | 17.255                             | -----  | 26,203                               | -  | -   | -                  | 24,478                                   | 20,356  | 4,122   |
|   |                                   |                                    |  | <u>986,578</u>                       | <u>460,233</u>                                     | <u>57,333</u>   | <u>-</u>           | <u>456,276</u>                           | <u>477,831</u>  | <u>35,778</u>   |
| TOTAL U.S. DEPARTMENT OF LABOR                            |                                   |                                    |  | <u>986,578</u>                       | <u>460,233</u>                                     | <u>57,333</u>   | <u>-</u>           | <u>456,276</u>                           | <u>477,831</u>  | <u>35,778</u>   |
| U.S. Department of Health & Human Services                |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Passed through Ingham ISD                                 |                                   |                                    |  |                                      |  |   |                    |  |   |   |
| Medicaid Outreach Reimbursement                           |                                   | 93.778                             |  | <u>235,211</u>                       | <u>163,247</u>                                     | <u>35,122</u>   | <u>-</u>           | <u>235,211</u>                           | <u>134,761</u>  | <u>135,572</u>  |
| TOTAL FEDERAL FINANCIAL ASSISTANCE                        |                                   |                                    |  | <u>\$ 72,675,691</u>                 | <u>\$ 31,347,369</u>                               | <u>\$ 6,335,355</u>                                     | <u>\$ (2,030)</u>  | <u>\$ 33,031,214</u>                     | <u>\$ 34,009,483</u>                                  | <u>\$ 5,355,056</u>                                     |

The accompanying notes are an integral part of this schedule

**LANSING SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Lansing School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. Title I, CFDA # 84.010 and Title IIA, CFDA #84.367 were audited major programs, representing 29.2% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$990,936.
4. Management has utilized the Grant Section Auditors Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

|                      |                             |
|----------------------|-----------------------------|
| General fund         | \$ 28,063,232               |
| Special revenue fund | <u>4,967,982</u>            |
|                      | <u><u>\$ 33,031,214</u></u> |

6. Program clusters contained within the schedule are as follows:  
Child Nutrition Cluster consists of CFDA #10.553, #10.555 and #10.559  
Special Education Cluster consists of CFDA #84.027, #84.027A and #84.173A

**LANSING SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

➤ Material weakness(es) identified: \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

➤ Material weakness(es) identified: \_\_\_\_\_ Yes   X   No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with   X   Yes \_\_\_\_\_ No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.010         | Title I                            |
| 84.367         | Title IIA                          |

Dollar threshold used to distinguish between type A and type B \$ 990,936

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**LANSING SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**Section II – Findings – Financial Statement Audit**

**Finding 2008-1**

**Finding considered a significant deficiency**

**Criteria:** Pupil counts in the Single Record Student Database (SRSD) should be reconciled to the detail pupil rosters to ensure accuracy.

**Condition:** During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit.

**Context:** Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid.

**Effect:** Inaccurate amount of state aid could be received by the District.

**Cause:** Lack of reconciliation process between SRSD and detail pupil rosters.

**Recommendation:** Paper membership rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

**Finding 2008-2**

**Finding considered a significant deficiency**

**Criteria:** One significant year end adjustment was proposed by the external auditor and recorded by the client during the audit. This entry was required in order for the financial statements to be accurate.

**Condition:** One account was not adjusted to accurately reflect a transaction taking place at year end.

**Context:** Failure to make significant adjustments increases the risk that the financial statements will be materially misstated.

**Effect:** Inaccurate financial information may be used for management decisions and reporting.

**Cause:** A large amount was received on August 27<sup>th</sup> pertaining to prior years universal service fund applications. These payments were not estimable prior to receipt and the District was unsure if and when they would be received.

**Recommendation:** The District should review year end transactions and record journal entries for any transactions that have not been recorded throughout the entire revenue recognition period (60 days) subsequent to year end.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section III – Federal Award Findings and Questioned Costs**

None noted.



**LANSING SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Finding 2007-1**

**Finding considered a significant deficiency**

**Criteria:** Bank accounts reconciliations should be performed and reconciled to the general ledger in a timely manner.

**Condition:** During the year, bank reconciliations were not being performed in a timely manner.

**Context:** Failure to perform bank reconciliations in a timely manner increases the risk that the financial statements will be materially misstated. During the year, the District experienced turnover in the business office. The District has reorganized and increased staffing. It is expected next year the accounting department will have ample resources to perform these reconciliations monthly. The District hired a CPA firm to assist in completing the bank reconciliations. At June 30, 2007, all bank accounts were reconciled timely.

**Effect:** Inaccurate financial information may be used for management decisions and reporting.

**Cause:** Lack of staffing to complete and review month-end bank reconciliation procedures.

**Recommendation:** Monthly bank reconciliations should be prepared and reviewed by an appropriate individual every month. In addition, the reconciled balance should be compared to the general ledger to ensure all necessary adjustments to the general ledger are made in a timely manner. This will improve the accuracy of interim reporting.

**Status:** Bank reconciliations are now prepared timely.

**Finding 2007-2**

**Finding considered a significant deficiency**

**Criteria:** Pupil counts in the Single Record Student Database (SRSD) should be reconciled to the detail pupil rosters to ensure accuracy.

**Condition:** During the year, Ingham Intermediate School District's pupil membership auditors found significant errors in the reporting of pupil counts while performing their pupil audit.

**Context:** Failure to properly report student counts to the State of Michigan through the SRSD system could result in the District not receiving the appropriate amount of state aid. The District did correct this issue by year-end and did receive the correct amount of state aid.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Effect:** Inaccurate amount of state aid could be received by the District.

**Cause:** Lack of reconciliation process between SRSD and detail pupil rosters.

**Recommendation:** Paper membership rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

Status: See finding 2008-1

**Finding - 2007-3**

**Finding considered a significant deficiency**

**Criteria:** Three year end adjustments were proposed by the external auditor and recorded by the client during the audit. These were required in order for the financial statements to be accurate.

**Condition:** Three accounts were not adjusted to accurately reflect the transactions taking place at year end.

**Context:** Failure to make significant adjustments increases the risk that the financial statements will be materially misstated. During the year, the District experienced turnover in the business office. The District has reorganized and increased staffing. It is expected next year the accounting department will have ample resources to avoid significant audit adjustments.

**Effect:** Inaccurate financial information may be used for management decisions and reporting.

**Cause:** Oversight by the staff and management to record journal entries that properly reflect the transactions that have occurred at year end.

**Recommendation:** The District should review year end transactions and record journal entries for any transactions not recorded.

**Status:** These types of adjustments were not required during the 2008 audit.

**Finding 2007-4**

**Statement of Condition:** Lansing School District was not offering Reading First CFDA #84.357 federal grant money to private schools as required.

**Criteria:** Lansing School District is required to follow specific requirements in notifying private schools of the opportunity to participate in the grant program.

**LANSING SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Effect of Conditions:** Because of the violation, The funding sources of the grants could request repayment of some of the grant funds that could have been applied to private schools had they been notified of the opportunity to participate.

**Cause of Condition:** The District's compliance department was unaware that these grants were required to be offered to private schools.

**Questioned Costs:** Not determinable.

**Recommendation:** We recommend Lansing School District review procedures to ensure all private schools are properly notified.

**Status:** This issue has been resolved.



**LANSING SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDING JUNE 30, 2008**

U.S. Department of Education:

Lansing School District respectfully submits the following corrective action plan for the year ended June 30, 2008.

Name and address of independent public accounting firm:

Maner, Costerisan, & Ellis, P.C.  
544 Cherbourg Drive, Suite 200  
Lansing, Michigan 48917

Audit Period: For the year ended June 30, 2008

The finding from the June 30, 2008 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Finding – Financial statement audit**

**Finding 2008-1:** Considered a significant deficiency

**Recommendation:** Pupil rosters should be reconciled to the SRSD system in a timely manner prior to submission to the State. In addition, improved oversight should be implemented to ensure this process is completed. Consideration should be given to have the business office review reporting in this area.

**Action to be taken:** We are aware of the deficiency and are currently investigating various ways to improve the pupil accounting process. This will be given much more scrutiny in the current year to ensure all paper counts are also getting reported in the electronic system. The business office will consider reviewing reporting in this area.

**Finding 2008-2:** Considered a significant deficiency

**Recommendation:** The District should perform a detailed review of year end transactions and record journal entries for any transactions not recorded.

**Action to be taken:** We concur with the recommendation and understand it involved one large journal entry. We will review more closely year end transactions to ensure that they are recorded in the proper period.

Lansing School District Contact Person: Kim Sleight



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

October 15, 2008

To the Board of Education  
Lansing School District

In planning and performing our audit of the financial statements of Lansing School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Lansing School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 15, 2008 on the financial statements of Lansing School District. Our comments are summarized as follows.

## **Bonds**

The construction process is still ongoing. The District should keep in mind that all bonds issued after May 1, 1994; a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a (2) of Act 451 of the Public Acts of 1976. The management of the District should contact us with information as to the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

## **Payroll procedures**

Currently the human resources department prepares a personnel requisition form which approves employee pay rates. This form is sent to the payroll department to have the new amount processed. We recommend a review of the change after it is processed be documented by someone other than the individual inputting the change. We also recommend a periodic review of new employees added to the payroll system to improve controls over adding new employees to the system.

Hourly employees currently submit timesheets to the payroll department for manual entry into the payroll system. Due to time constraints and limited staff size, there is currently no time to perform a detail review of this data entry to ensure accuracy. We recommend the District consider the implementation of an automated system to help ensure all time is recorded properly.

Our testing in this area did not indicate any problems during our testing.

## **Federal split funded employees**

Currently teachers who are split funded by federal grants retain their own activity logs. We recommend these logs be centrally located and retained as this is the primary source documentation to support federal reimbursements of the individual's activity.

### **Uninsured Bank Deposits**

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. The limits as of June 30, 2008 were \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Lansing School District, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mamie Costeniser, E. Ellis, P.C.*



Lamonte T. Lator  
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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

October 15, 2008

To the Audit Committee  
Lansing School District

We have audited the financial statements of Lansing School District for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Lansing School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lansing School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lansing School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lansing School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lansing School District's compliance with those requirements.



### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 8, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lansing School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Lansing School District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimated lives of capital assets is based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no disclosures that we consider to be significant.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole, except for the one entry to record the Universal Service Fund receivable.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 15, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of Lansing School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maner, Costeniser & Ellis, P.C.*